Free Translation of the Audit Certificate

freenet AG
Büdelsdorf

Consolidated financial statements as at 31 December 2021 and group management report for the financial year 2021

INDEPENDENT AUDITOR'S REPORT

(Free translation – the German text is authoritative)

Translation prepared by the management of freenet AG

List of exhibits Page

GROUP MANAGEMENT REPORT [1]

SIGNIFICANT EVENTS DURING FINANCIAL YEAR 2021

2021 SHARE BUYBACK PROGRAMME

In February 2021, the freenet Group announced a further share buyback programme with a volume of up to 135.0 million euros. A total of 5.55 million shares were repurchased for a total price of 113.1 million euros during the term ending 28 December 2021. The average price of the repurchased shares was 20.37 euros. Together with the shares from the first share buyback programme in 2020, freenet AG now holds 6.7 percent of its own shares.

2021 ANNUAL GENERAL MEETING OF FREENET AG

In June 2021, the Annual General Meeting approved the Executive Board and Supervisory Board's proposal to distribute a dividend of 1.50 euros per share and a special dividend of 0.15 euros per share for the 2020 financial year. This marks a return to the company's dividend policy of distributing 80 percent of free cash flow each year after the shareholders decided to distribute only the mandatory minimum dividend of 0.04 euros per share in spring 2020 due to the significant uncertainty caused by the impact of the coronavirus pandemic.

GRAVIS LAUNCHES SUSTAINABLE NETWORX GREENLINE PRODUCT LINE

In June 2021, mobilcom-debitel's wholly-owned subsidiary GRAVIS launched a sustainable alternative for certified Apple accessories under its own Networx Greenline brand. Care has been taken to reduce carbon emissions as far as possible along the entire supply chain. The material mix of the individual products also lowers the use of plastic by more than 30 percent.

MANAGEMENT RAISES EBITDA AND FREE CASH FLOW GUIDANCE FOR FINANCIAL YEAR 2021

Based on the positive business performance in the first half of 2021, management raised its full-year guidance for EBITDA and free cash flow in August 2021. EBITDA was now expected to be in a range between 430 and 445 million euros (previously: 415 to 435 million euros) and free cash flow between 215 and 230 million euros (previously: 200 to 220 million euros). This represents an increase of 12.5 million euros in each case compared to the midpoint of the original guidance

[1] 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 is not required and which therefore is not audited.

DIETER BOHLEN NAMED CHIEF ENTERTAINMENT OFFICER OF THE FREENET GROUP

The freenet Group launched its collaboration with Dieter Bohlen at the start of September 2021. As "Chief Entertainment Officer" without a seat on the Executive Board, Dieter Bohlen is the brand ambassador for the freenet umbrella brand, which comprises the three product pillars of mobile communications, Internet and TV entertainment. It is the first time that the company's communications have focused on the freenet umbrella brand.

FREENET MANAGEMENT ANNOUNCES POSITIVE MEDIUM TERM OUTLOOK UNTIL 2025

At its virtual Capital Markets Day in November 2021, freenet Group management presented the strategic direction of the company and its medium-term financial ambitions until the 2025 financial year. The key message was that the freenet Group will continue to pursue its successful digital lifestyle strategy and wants to grow significantly across all areas of its business. With this in mind, EBITDA is anticipated to rise at an average annual growth rate of more than 4 percent to at least 520 million euros by 2025.

MOBILCOM-DEBITEL PRESENTS GERMANY'S FIRST CARBON-NEUTRAL SMARTPHONE

In November 2021, mobilcom-debitel exclusively launched the new "rephone", the first smartphone to be sustainably produced in Germany. As the first carbon-neutral smartphone manufactured using only green electricity, the rephone demonstrates mobilcom-debitel's focus on sustainability. Its removable back cover is made from 100 percent recycled materials, while the packaging is completely plastic-free.

FREENET GROUP CONTINUES TO REDUCE ITS DEBT DURING 2021

By the end of December 2021, promissory note loans totalling 289.5 million euros had been repaid on or ahead of schedule. By making these repayments during the 2021 financial year, the freenet Group continued the debt reduction process it began in the previous year, which led to a further improvement in the financing structure and strengthened its leverage, a key figure for capital structure management.

GROUP MANAGEMENT REPORT

ORGANISATIONAL STRUCTURE AND BUSINESS MODEL

- Digital lifestyle provider with a customer base of approximately 8.8 million subscribers
- Long-term customer contracts that make recurring value contributions
- IPTV as largest growth area

OVERVIEW OF THE FREENET GROUP

The freenet Group 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 8.8 million subscribers, the freenet Group is one of the leading players in this sector in the German market.

Its operating activities are limited mainly to private customers and the German market. freenet AG, the parent company of the freenet Group, 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).

In accordance with the corporate strategy and IFRS 8, the freenet Group distinguishes between two operating 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 operating 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.

Segment overview

Mobile Communications

Mobile service provider

Retail business/chains

Cross-selling
(Digital lifestyle)

+ TV & Media

B2C
- freenet TV (DVB-T2 HD)
- waipu.tv (IPTV)

B2B u.a.
- Digital radio (DAB+)
- TV signal transmission
- Programmatic advertising and Web-2-TV service

+ Other/Holding

Other business activities, incl.
- Portal services such as e-commerce/advertising
- Development of communication & IT solutions
- Call-by-call, preselection

Holding activities

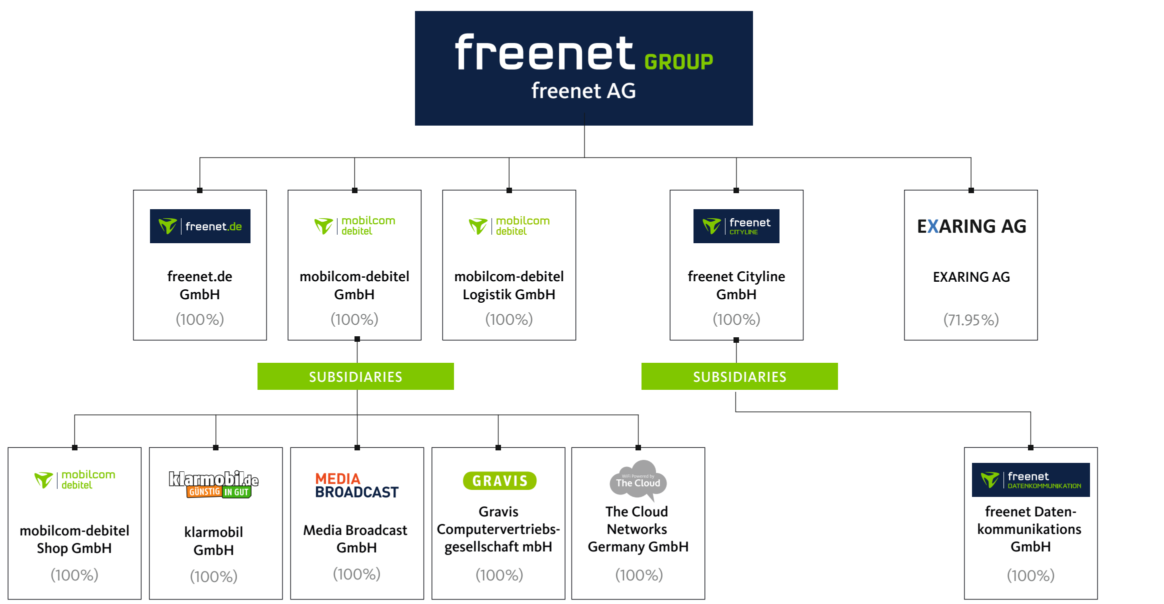
As of 31 December 2021, the Executive Board comprised five departments:

Executive Board composition

Department	Executive Board member
Chief Executive Officer (CEO)	Christoph Vilanek
Chief Financial Officer (CFO)	Ingo Arnold
Chief Technical Officer (CTO)	Stephan Esch
Chief Customer Experience Officer (CCE)	Antonius Fromme
Chief Commercial Officer (CCO)	Rickmann v. Platen

The main Group companies as of 31 December 2021, measured in terms of their contribution to the financial and non-financial performance indicators of the Group, are set out in the following chart. Apart from increasing the Group's shareholding in EXARING AG Munich (EXARING) from 61.3 percent to 71.95 percent on 2 November 2021, there were no significant changes.

Material Group companies of freenet AG as of 31 December 2021



CUSTOMER-FOCUSED VALUE CREATION AND BUSINESS MODEL

As part of its commercial vision of "Always the Right Choice", the freenet Group'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, multichannel 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, energy suppliers and producers of TV and radio programmes supply the relevant precursors for this.

With the help of tailor-made tariffs and branding, the products and services are marketed across a multichannel distribution network in Germany. The focus here is on customer relationships as well as directly managed, captive sales channels, which include approximately 520 mobilcom-debitel shops and 40 GRAVIS stores as well as numerous additional (online) marketing platforms. These channels in particular provide the freenet Group with direct customer access with upselling and cross-selling potential as well as strong customer retention while at the same time keeping distribution costs low. Mobilcom-debitel also holds exclusive marketing rights for mobile communication services on the Deutsche Telekom and Vodafone networks in more than 400 electronics stores operated by Media-Saturn-Deutschland GmbH (Media Markt and Saturn, Ingolstadt).

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	

For more than 25 years now, customer experience management has been one of the freenet Group's most important core strengths. Customer management, which encompasses everything from billing to customer support, development and retention, thus completes the freenet Group's almost entirely integrated value chain.

Long-term customer contracts 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.

OPERATING SEGMENTS IN DETAIL

MOBILE COMMUNICATIONS: LARGEST NETWORK-INDEPENDENT MOBILE COMMUNICATIONS SERVICE PROVIDER

Mobile communications is the freenet Group'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, the freenet Group follows a business model that is both unique and supported by the regulatory environment in Germany. 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, the freenet Group does not acquire any (network) capacity (mobile virtual network operator or MVNO model) from a network operator, thus avoiding resale risk. Instead, the Group mainly applies a reselling model in which the customer relationship is not transferred to the network operator, but instead remains with the freenet Group (service provider model). This creates a direct relationship with customers, enabling the freenet Group to also provide all downstream customer services (e.g. customer service, billing, marketing, etc.). As a result, the freenet Group 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 the freenet Group 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 mobilcom-debitel or klarmobil can be developed and offered as well. This allows freenet to have a high degree of flexibility in addressing customers and designing innovative mobile communications products, such as the app-based freenet FUNK and freenet Flex offerings. Over the past 20 years, this approach enabled freenet Group to evolve into the largest network-independent mobile communications provider in Germany.

TV AND MEDIA: IPTV AS GROWTH DRIVER

The experience gained in the mobile communications business laid the foundation for the company's entry into the TV and media business. The freenet Group has been active in this market via its acquisition of the Media Broadcast Group and a majority holding in EXARING AG since 2016 and has gradually expanded this segment into another key pillar of its business.

Media Broadcast is Germany's largest nationwide service provider for the broadcasting and media industry 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 this broadcasting channel, the Group distributes TV content from public and private broadcasters to private end customers via the freenet TV brand.

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 the freenet Group'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.

GROUP MANAGEMENT REPORT

CORPORATE STRATEGY AND GOALS

The freenet Group'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 the freenet Group is always the right choice for all of its stakeholders – for customers, shareholders, partners and employees. The freenet Group is aware of its social responsibility and takes this into account by making long-term decisions as part of a sustainable management approach.

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

The company offers a varied digital lifestyle portfolio under the freenet umbrella brand. This portfolio includes mobile communications, Internet, TV entertainment and energy as well as all of the services, applications and devices that are associated with a mobile device or that can be managed or used via a smart device. The freenet Group 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.

The freenet Group uses four action areas to embed this strategic approach into its mission:

CUSTOMER-FOCUSED AND DIGITAL FIRST

The freenet Group is 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 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.

The freenet Group 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, digitalisation is helping to accelerate coordination processes across the company, resulting in efficiency and capacity gains.

DEMAND-ORIENTED AND CLOSE TO CUSTOMERS

All of the company's processes and measures follow a consistent and practical approach. 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.

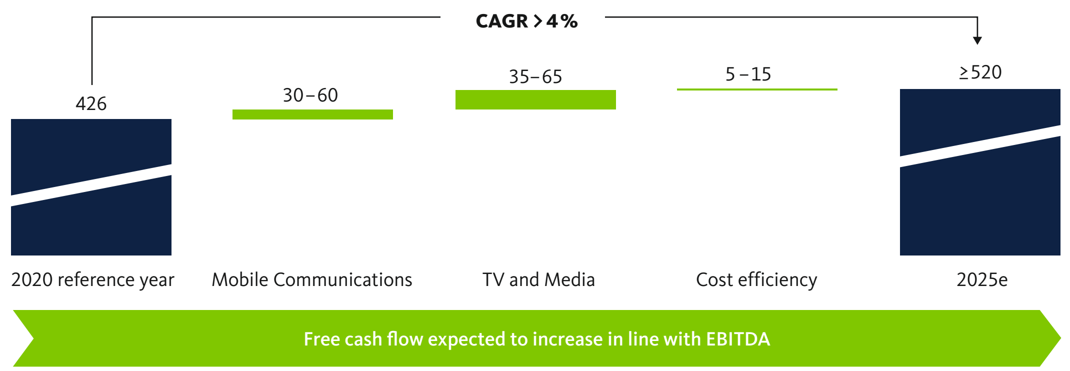
To enhance this customer experience, the insights gained from customer contact are used to develop products and introduce digital innovations. This is particularly true in the areas of mobile communications, Internet and TV entertainment, which are the main drivers of the freenet Group's business. Active 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 sustainability in accordance with commercial prudence and value are designed to enable all stakeholders to benefit equally from the freenet Group's performance.

On this basis, the management of the freenet Group set itself the financial target of increasing EBITDA to at least 520 million euros by 2025 with an average annual growth rate of more than 4 percent compared to 2020. Management expects the TV and Media segment to contribute an additional 35 to 65 million euros to EBITDA compared to 2020 and is targeting a contribution of between 30 and 60 million euros from the Mobile Communications segment and a further 5 to 15 million euros from cost efficiencies. Free cash flow is expected to rise in line with EBITDA to more than 260 million euros over the same period.

Expected EBITDA contributions of operating segments by the end of 2025

in EUR millions



GROUP MANAGEMENT REPORT

CORPORATE MANAGEMENT

The freenet Group uses a standardised and reliable 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. The established financial management system also ensures financial stability.

This value-oriented corporate governance aims to address and balance various stakeholders' expectations of the freenet Group. 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. The practicality of the management system is regularly reviewed by the Executive Board and adjusted where necessary.

The performance indicators used for corporate management purposes also regularly represent alternative performance measures (APMs). Even though that companies and investors commonly use APMs for assessing operating 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 equivalent to the APMs used by other 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, the freenet Group uses the following financial performance indicators:

Overview of financial performance indicators

In EUR '000s / as indicated	2021	2020	2019
Revenue	2,556,320	2,576,230	2,932,544
EBITDA	447,325	425,878	426,795
Free cash flow	234,374	237,325	249,027
Postpaid ARPU (in EUR)	18.1	18.2	18.7

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 mobile 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 short-term 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. However, comparability with previous years is only possible to a limited extent as a result. In order to increase transparency, the freenet Group 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 the freenet Group's operating results. Adjusted EBITDA thus occasionally supplements management-relevant EBITDA as an additional information indicator. The starting point for both performance indicators is EBIT.

Calculation of EBITDA and adjusted EBITDA

In EUR '000s	1.1.2021–31.12.2021	1.1.2020–31.12.2020
EBIT	250,039	262,981
Depreciation, amortisation and impairment	197,286	162,897
EBITDA	**447,325**	**425,878**
One-time effects	0	0
Adjusted EBITDA	**447,325**	**425,878**

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 the freenet Group's ability to grow from its own resources, to ensure stable dividend payments, to meet all operating payment obligations of the freenet Group, 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.

The freenet Group 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.

Calculation of free cash flow

In EUR '000s	1.1.2021–31.12.2021	1.1.2020–31.12.2020
Cash flows from operating activities (without payments for transaction costs from acquiring/selling companies)	367,212	367,628
Payments to acquire property, plant and equipment and intangible assets	– 48,226	– 49,881
Proceeds from disposal of intangible assets and property, plant and equipment	3,079	3,657
Cash repayments of lease liabilities	– 87,691	– 84,079
Free cash flow	**234,374**	**237,325**

POSTPAID ARPU

Postpaid ARPU is the monthly average revenue per postpaid customer 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.

Postpaid 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 the freenet Group's financial performance indicators is closely linked to the development of subscription customers 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 and retention are essential for the successful development of the freenet Group.

The postpaid customer base, which comprises strategically important mobile communications customers, ensures the medium-term profitability and liquidity strength of the freenet Group 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, freenet AG 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 performance indicators provide a more transparent view of the strategic alignment of the freenet Group and reflect the perception of the relevant customer groups on the capital market.

Non-financial performance indicators

In '000s	2021	2020	2019
Postpaid customers	7,178	7,079	6,903
freenet TV (RGU)	797	902	1,021
waipu.tv subscribers	723	572	408
Total subscriber base (excl. app-based customers)	**8,697**	**8,553**	**8,332**

OTHER KEY INDICATORS AND MEASURES FOR THE COMPANY'S SUCCESS

To manage the Group, the freenet Group 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, the freenet Group 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 important of these are presented in the list below.

Significant product brands, new products, partnerships and sales activities

freenet Group	Dieter Bohlen becomes brand ambassador for the "freenet" umbrella brand
mobilcom-debitel	Launch of the carbon-neutral smartphone "rephone"
GRAVIS	Launch of the sustainable Networx Greenline product line
waipu.tv	Introduction of the "waipu.tv 4K Streaming Stick" as a powerful TV streaming stick

RESEARCH AND DEVELOPMENT
freenet AG 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 the freenet Group forms part of IT, strategic and product development projects.

In the financial year and in the previous year, the income statement was not affected significantly by research and development costs. Within the framework of IT-, strategy- and product development projects, the freenet Group made total cash-effective investments of 22.9 million euros in 2021 (2020: 22.1 million euros).

EMPLOYEE ISSUES
At year-end, the freenet Group employed 3,784 persons at nine locations as well as in mobilcom debitel shops and GRAVIS stores. Each year, the Group makes 120 training positions available on vocational training and work/study ("dual study") courses. These are broken down into a total of 21 training courses at 170 training locations. At the end of 2021, the number of apprentices in the freenet Group was 292 (2020: 328). Vocational training and continuing professional development (CPD) as well as dual studies also serve to maintain employee skills. The freenet Group 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.

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.

Calculation of gross profit

In EUR '000s / as indicated	1.1.2021–31.12.2021	1.1.2020–31.12.2020
Revenue	2,556,320	2,576,230
Cost of materials	– 1,702,898	– 1,714,171
Gross profit	**853,422**	**862,059**
Gross profit margin (in %)	**33.4**	**33.5**

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 AG 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 Controlling 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 the freenet Group 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 freenet 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 freenet 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 balance sheet in each case), a lower limit of 25.0 percent and for leverage a maximum of 3.0 times EBITDA was set.

Capital structure management KPIs

as indicated	Target	Achieved as at 31.12.2021	31.12.2021	31.12.2020
Equity ratio (in %)	> 25.0	✓	41.5	40.4
Leverage	≤ 3.0	✓	1.8	1.7

The equity ratio as at 31 December 2021 amounted to 41.5 percent, thus exceeding the target of 25.0 percent and representing an improvement of 1.1 percentage points compared with year-end 2020. In addition to the collection of current profits from continuing operations, this rise resulted from a reduction in total equity and liabilities (debt reduction in 2021 (nominally): 289.5 million euros). The share buy-back programme resolved by the freenet Group Executive Board had a reducing effect on equity since treasury shares are to be deducted from equity in accordance with IAS 32.33.

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 2021 is 1.8, which is below the maximum limit.

Calculation of net debt and leverage

In EUR millions	31.12.2021	31.12.2020
Long-term borrowings	505.8	734.8
Short-term borrowings	143.6	206.0
Net lease liabilities	425.3	466.7
Liquid assets	– 286.3	– 666.9
Net debt	**788.4**	**740.6**
Debt ratio	**1.8**	**1.7**
Market value CECONOMY [1]	– 123.7	– 184.9
Adjusted net debt	**664.7**	**555.8**
Adjusted leverage	**1.5**	**1.3**

[1] The market value of Ceconomy is calculated by multiplying the closing price of Ceconomy's ordinary shares on the Frankfurt stock exchange by the number of shares held by the freenet Group (32,633,555) as of the relevant reference date.

DIVIDEND POLICY

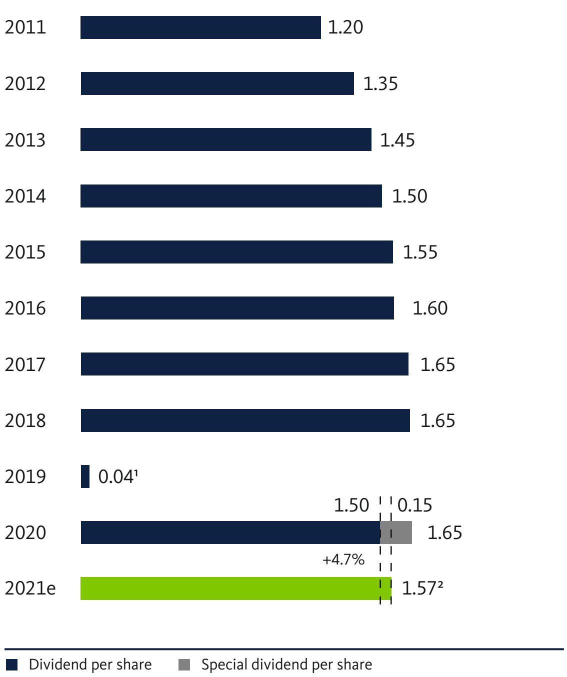
The dividend policy is another key component of the Group's financial management activities. In principle, the freenet Group's Executive Board pursues a policy of consistent distributions aligned with the Group's operational performance. Free cash flow serves as the starting point and basis for determining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

In the interest of continuing to make regular distributions, management 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.

For the past financial year, the Executive Board intends to propose a dividend of 1.57 euros per share to the Annual General Meeting on 5 May 2022. This represents a dividend yield of around 6.8 percent based on the closing price on the last trading day in 2021.

Dividend trend

In euros/share



[1] In view of the COVID-19 situation and pending refinancing, the Executive Board and the Supervisory Board of freenet AG had proposed to the Annual General Meeting on 27 May 2020 that the dividend be suspended, apart from the mandatory minimum dividend of 0.04 euros per share. This proposal was adopted by a 94.74% majority.
[2] The dividend will be paid subject to a resolution adopted by the Annual General Meeting.

2021 SHARE BUYBACK PROGRAMME

At the Annual General Meeting on 27 May 2020, shareholders authorised the Executive Board to repurchase the Group's own shares. This authorisation covers the acquisition of up to 10 percent of share capital at the time of the resolution and requires the approval of the Supervisory Board in order to be exercised. A total of 2.31 percent of share capital (approx. 2.96 million shares) were previously repurchased in 2020 as part of the first share buyback programme (2020 Share Buyback Programme).

An additional share buyback programme (2021 Share Buyback Programme) representing up to 7.61 percent of share capital (9.75 million shares) was agreed on 25 February 2021 and is scheduled to run until 31 December 2021. Acquisitions are limited to a maximum of 135.0 million euros. The share buyback programme was completed on 28 December 2021. In total, 5.6 million shares were purchased under the share buyback programme at an average price of 20.37 euros. equating to 4.34 percent of the share capital. The aggregated volume of the repurchased shares excluding ancillary costs was 113.1 million euros. As a result, the proportion of directly and indirectly held treasury shares as at the end of 2021 totalled 6.68 percent.

GROUP MANAGEMENT REPORT

REPORT ON ECONOMIC POSITION

- Rapid vaccine rollout bolstering favourable economic development, including in Germany
- Robust mobile communications market
- Significant growth in OTT broadcasting technology

MACROECONOMIC ENVIRONMENT

As expected, the coronavirus pandemic continued to have a major impact on economic development on a global level, in Europe and in Germany in 2021. The more dramatic economic slump anticipated in the previous year turned out to be milder than feared, with global economic output (GDP) ultimately falling by just −3.1 percent in 2020 compared to the International Monetary Fund's forecast of −4.4 percent as late as October 2020. Tension in the European and German economies also began to ease in spring 2021 in the wake of lockdown and stringent restrictions on travel and public gatherings. This was due to the rapid development, approval and administration of new vaccines in Europe and the USA and the subsequent gradual easing of the pandemic as well as the far-reaching and fast-acting economic stimulus measures introduced by governments in the previous year.

This tailwind and confidence in a continuation of the rapid economic recovery meant that economic forecasts for 2021 were raised significantly. The global economy was predicted to bounce back quickly due in particular to declining coronavirus case numbers. However, it soon became apparent that the assumptions made about the development of both the pandemic and the economy were too optimistic. New and more transmissible variants of the virus emerged, vaccination rates remained below expectations, particularly in Germany, and the economy increasingly began experiencing supply bottlenecks triggered by global pandemic-related restrictions on production. As a result, the global economy lost considerable momentum in the third quarter of 2021, prompting experts to scale back their forecasts. According to the IMF's most recent estimate, the global economy grew by 5.9 percent.

Change in IMF economic forecasts for 2021

Increase in real GDP in %	Forecast date: 2020			2021	2022
compared with previous year	October	April	July	October	January
Germany	4.2	3.6	3.6	3.1	3.1
Eurozone	5.2	4.4	4.6	5.0	5.2
Global economy	5.2	6.0	6.0	5.9	5.9

The supply bottlenecks, which were attributable to a variety of complex causes – including downtimes in the production of precursors due to quarantine regulations in supplier countries, a lack of shipping capacity, lengthy delays at global ports, and weaker economic output in China – led to a reduction in activity in the export-oriented German economy. Despite full order books, the German industrial sector had to cope with a decline in production of around 4 percent in August. The automotive sector was particularly adversely impacted, suffering from an acute shortage of semiconductors that caused a temporary increase in short-time work. This dip in growth prompted the German Bundesbank to cut its forecast for economic growth in 2021 to 2.5 percent.

The labour market remained relatively unaffected by the economic impact of the pandemic and remained on track for recovery in 2021. Unemployment and underemployment fell considerably by the end of the year, while demand for new employees remained high. However, the consequences of the coronavirus crisis were still apparent from the rise in the number of people in long-term unemployment. The labour market remained dependent on support in the form of short-time work due to supply chain disruption in particular.

On the consumer side, 2021 was characterised by catch-up effects triggered by the build-up in consumption previously caused by the pandemic. This unbalanced and uncertain economic trend was ultimately reflected in consumer prices during this phase. The increase in commodity prices for oil and gas in particular acted as a catalyst for a general rise in prices. Manufacturers passed this cost pressure on to consumers, causing prices in industrialised nations to increase by 4.4 percent year-on-year by October. Numerous central banks, including the ECB and German Bundesbank, as well as the IMF expect this surge in prices to ease as supply bottlenecks are resolved after reaching their peak at the end of 2021. However, central banks remain undecided on whether the dilemma of inflationary price development can be resolved with interest rate hikes without putting government debt at risk.

By contrast, the equity markets appeared unfazed by this development and reacted to companies' generally positive economic outlook and profit expectations with a sharp increase in share prices. For example, the DAX rose by around 16 percent to 15,885 points in 2021.

SECTOR-SPECIFIC DEVELOPMENT

The information technology and telecommunications (ITC) market data published by Bitkom e.V. shows a slight improvement in the business climate for 2021. Last year, the ICT sector reported overall revenue growth of 4.0 percent to 178.3 billion euros. The telecommunications market included in this sector is estimated to have grown by 1.3 percent year-on-year to 67.5 billion euros. This affirms the sector trend from previous years in which the market remained relatively unaffected by the negative impact of the coronavirus pandemic. This is due to the fact that customers were forced to take advantage of the opportunities offered by products and services in the ITC sector to continue with their work or education or obtain information during lockdown and quarantine. The home working obligation introduced in Germany in November 2021 provided the industry with an additional boost. The optimistic mood in the telecommunications market also provided the initiative for investments in the expansion of high-speed networks, which reached 10.8 billion euros in 2021.

MOBILE COMMUNICATIONS MARKET

According to estimates from the German Association of Providers of Telecommunications and Value-Added Services (VATM), revenues generated by the overall market for telecommunications services in Germany rose by 1 percent to 59.1 billion euros in 2021, increasing for the third successive year. This trend was driven in particular by Deutsche Telekom's competitors, who captured almost 60 percent of market share, with estimated revenues increasing by 2 percent to 35.4 billion euros. For the private customer segment, which makes up around two thirds of total revenue, the VATM predicts significant growth of 5 percent to 38.1 billion euros at the expense of the shrinking business customer segment. The mobile communication market's share of total revenue is expected to remain virtually unchanged in 2021 at 44.2 percent (26.1 billion euros).

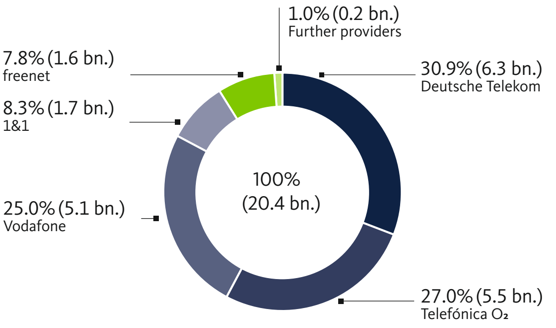
Almost 80 percent of these revenues, or 20.4 billion euros, is attributable to usage-based and usage-independent services, 83 percent of which are provided by the three network operators Deutsche Telekom, Telefónica and Vodafone. The remainder is primarily shared between Germany's two leading service providers, 1&1 and freenet. Finally, the mobile communication market generates 5.7 billion euros of other revenue, including interconnection, wholesale and device revenue. These primarily relate to smartphone sales which, according to Statista, have remained steady at just over 22 million units per year since 2017. Despite increasing numbers of customers opting for smartphones equipped with 5G technology in the second half of 2021, sales of

5G-ready smartphones have not yet made any significant impact on stagnating sales figures. According to an Ericsson consumer study, however, the introduction of 5G technology has contributed to a reduction in WiFi use and an increase in gaming consumption.

By contrast, the number of actively used SIM cards rose by 5.2 percent to 157.8 million units in 2021. Approximately a quarter of this total is used for communications between computer systems (M2M communication).

Revenue from services by provider

In % or EUR



Source: 23rd Telecommunications Market Analysis for Germany, 2021, VATM

The Telecommunications Modernisation Act, which constitutes a revision of the previously valid Telecommunications Act (TKG), was approved as expected in 2021. This new legislation is designed to provide a foundation for increasing Internet speeds and strengthening consumer protection. It implements the European Electronic Communications Code (EECC) that came into force at the end of 2018.

TV/VIDEO MARKET

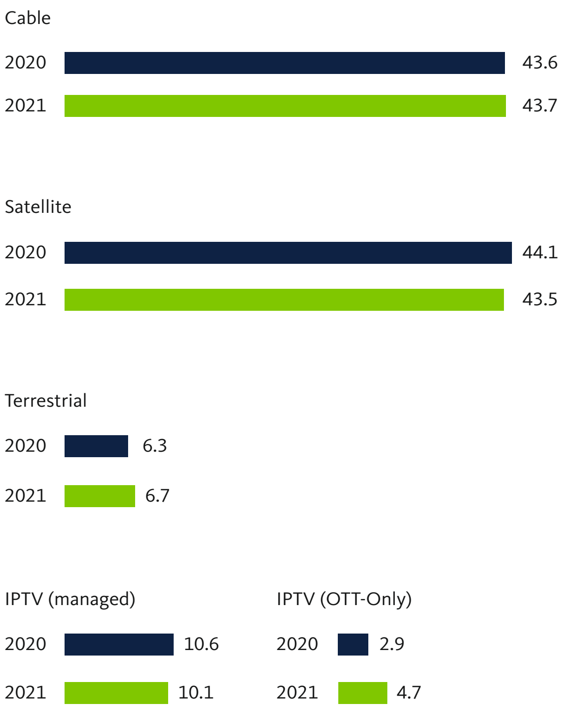
After the German entertainment and media market, particularly the non-digital market, suffered a significant overall slump in the previous year due to the coronavirus pandemic, television market revenues quickly returned to their previous level in 2021. Digital segments made a growing contribution to the 5.8 billion euros (2020: 5.6 billion euros) in revenue generated from subscriptions for linear television and pay TV, while video on demand (VoD) grew in line with linear television.

According to estimates from the Verband privater Medien e.V. (VAUNET), the revenues generated for pay TV and paid video on demand (PVoD) in Germany totalled 4.5 billion euros in 2021 (previous year: 4.2 billion euros). Revenues for the DACH region, which includes Austria and German-speaking Switzerland, are predicted to reach 5.4 billion euros. There was no such growth in the traditional pay TV segment, where subscriber numbers stagnated at around eight million and revenues declined. Growth was primarily attributable to the subscription video on demand (SVoD) segment, which recorded a sharp increase in subscriptions. Services in this segment include Netflix, Prime Video, Disney+ and RTL+. SVoD services experienced an exceptional spike in demand during the coronavirus crisis, and this demand is expected to rise further.

Linear television benefited from the consistently high figure of 63.3 million TV sets used in around 38.8 million households. Overall, broadcasting methods only changed slightly in 2021 despite efforts from major network operators to promote their IPTV products and services.

Distribution of broadcasting methods

in %



Source: video digitalisation report 2021, published by die medienanstalten-ALM

Looking more closely, however, it is apparent that the traditional broadcasting methods of cable and satellite declined slightly during the pandemic, with both methods evenly distributed in 2021. Traditional IPTV products and services (known as "managed IPTV") also recorded declines and are now only used by 10.1 percent of households. By contrast, there was a moderate increase in terrestrial television reception, which is only offered in Germany by freenet subsidiary Media Broadcast.

There was a marked rise in OTT transmission, which enables users to receive TV programmes "over the top", i.e. exclusively via the Internet. According to the 2021 video digitalisation report published by die medienanstalten-ALM, this innovative technology also known as "cord-cutting" reached 1.8 million households in 2021, an increase of more than 60 percent compared to the previous year.

COURSE OF BUSINESS

MOBILE COMMUNICATIONS

Postpaid customers

After dominating the 2020 financial year, the exceptional challenges posed by the Covid-19 pandemic continued to cause further massive disruption to economic and social life for large parts of the first half of 2021. Despite this, the freenet Group managed to continue what has been virtually continuous customer growth in its core business in 2021 with its efficient, variably controllable omni-channel sales with closely interlinked sales channels, customer-focused bundles and sales campaigns. As a result, the number of postpaid customers rose by 20,700 in the first three months of 2021 to 7.099 million as of the end of March. The Group also continued this steady yet slightly weakened growth in the second quarter despite retail closures lasting several weeks, with the number of postpaid customers rising by around 14,000 to 7.113 million during this period. In a third quarter dominated by the easing of coronavirus restrictions, growth accelerated once again, causing postpaid customers to increase by 25,300 to 7.139 million by the end of September. This laid the foundation for ending the 2021 financial year with a late flurry of activity that resulted in quarterly growth of 39,400 new customers and a postpaid customer base of 7.178 million. This represents an increase of 1.4 percent or 99,300 in 2021 (2020: 175,800).

The number of users of the app-based freenet FUNK and freenet Flex tariffs also continued to expand, with the customer base growing by 55.1 percent or 31,300 to 88,000 customers during the year under review. This brings the number of comparatively highly-profitable mobile communications customers to 7.266 million at the end of 2021 (2020: 7.135 million), an increase of 130,600 over the course of the year (2020: 198,300).

Postpaid ARPU and revenue from services

For large parts of the first half of 2021, postpaid ARPU was impacted by the lack of roaming revenue and lower data top-ups as a result of Covid-19-induced travel restrictions. This was particularly apparent in the first quarter, when postpaid ARPU dropped by 0.2 euros to 17.8 euros. The gradual relaxation of restrictions during the second quarter caused a slight increase to 18.0 euros and a stabilisation of postpaid ARPU. The increased mobility of customers during the summer months and the rising roaming revenues associated prompted this figure to rise to 18.4 euros in the third quarter. This resulted in further stabilisation and a figure of 18.0 euros in the fourth quarter. At 18.1 euros for the full year, postpaid ARPU also remained largely stable compared to the previous year (2020: 18.2 euros).

Postpaid revenue from services in the Mobile Communications segment reflected this development. Based on a moderate increase in customer figures, as well as the stable development of postpaid ARPU, revenue from services rose by 1.4 percent to 1,542.3 million euros (2020: 1,521.6 million euros) and continued to make a lasting contribution to mobile revenue. As a result, the freenet Group's market share of revenue from services remained stable in 2021 (as confirmed by analysis from VATM).

DIGITAL LIFESTYLE

Digital lifestyle products and services once again proved to be a robust addition to the core business during the past financial year, despite the partial closure of bricks-and-mortar retail for large parts of the first half of 2021. In addition to sales of smartphone accessories, for example, the sale of subscription-based digital products (digital lifestyle options) along with a mobile communications contract constitute a key revenue pillar in this segment. At 201.4 million euros, digital lifestyle products and services once again made a noteworthy contribution to total revenue during the past financial year. This represents a year-on-year increase of 6.8 percent (2020: 188.6 million euros) and demonstrates the significant and continuing appeal of these products and services.

TV AND MEDIA

The TV and radio business represents a third relatively crisis-resistant revenue pillar for the freenet Group that also complements the Mobile Communications business.

The IPTV product waipu.tv also continued to grow during the past financial year. Several new channels and partnerships enhanced the product's appeal, which was also reflected in the development of the subscriber base. The number of subscribers rose by around 150,000 to 722,500 during the course of the year, most notably in the fourth quarter, when 54,100 new paying customers were added. Based on the 2021 video digitalisation report published by die medienanstalten – ALM GbR and according to the Group's own calculations, this means that waipu.tv's market share is now approximately 12.1 percent in the overall IPTV market and just under 40.1 percent in the OTT market.

By contrast, the customer base for our antenna-based television product freenet TV declined as anticipated. Following the 20 percent price increase in May 2020, the decrease in revenue-generating users (RGUs) continued in 2021, although the decline weakened considerably in the fourth quarter (–16,800 RGU). Overall, 105,300 customers chose not to continue using freenet TV over the past year, causing the RGU number to fall to 796,600 (2020: 901,900). The business area remains very profitable, however, due not least to the price increase that is offsetting the decline in RGU.

Course of business 2021 vs. 2020

As indicated	2021	2020	Change in %
Mobile Communications segment			
Postpaid customers (in millions)	7.178	7.079	1.4
Postpaid ARPU (in EUR)	18.1	18.2	– 0.8
Revenue from services, postpaid (in EUR millions)	1,542.3	1,521.6	1.4
Digital lifestyle revenue (in EUR millions)	201.4	188.6	6.8
TV and Media segment			
freenet TV subscribers (RGU) (in '000s)	796.6	901.9	– 11.7
waipu.tv subscribers (in '000s)	722.5	572.5	26.2

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

REVENUE AND RESULTS OF OPERATIONS

Revenue and earnings performance indicators for the Group

			Change	
In EUR '000s	2021	2020	Absolut	In %
Revenue	**2,556,320**	**2,576,230**	**– 19,910**	**– 0.8**
Gross profit	853,422	862,059	– 8,637	– 1.0
Overhead	– 406,097	– 436,181	30,084	6.9
EBITDA	**447,325**	**425,878**	**21,447**	**5.0**
EBIT	250,039	262,981	– 12,942	– 4.9
Financial result	– 31,975	– 45,476	13,501	29.7
EBT	218,064	217,505	559	0.3
Consolidated profit	**191,204**	**561,010**	**– 369,806**	**– 65.9**
thereof from continuing operations	191,204	190,509	695	0.4

Consolidated revenue remained stable during the 2021 financial year at 2,556.3 million euros (previous year: 2,576.2 million euros). The mobile revenue within this total fell by 35.4 million euros to 2,270.8 million euros (previous year: 2,306.1 million euros), primarily due to a reduction in low-margin hardware sales resulting from Covid-19-related store closures in the first half of 2021. By contrast, the number of postpaid customers relevant to the management of the Mobile Communications segment rose moderately (7.178 million customers at the end of December 2021 compared to 7.079 million customers at the end of December 2020). Postpaid ARPU remained stable as a result (2021: 18.1 euros; previous year: 18.2 euros). On the other hand, revenue in the TV and Media segment increased by 25.6 million euros year-on-year to 284.5 million euros, primarily due to growth in the waipu.tv customer base.

Gross profit declined slightly during the year under review (2021: 853.4 million euros; previous year: 862.1 million euros) while the gross profit margin remained virtually unchanged (2021: 33.4 percent; previous year: 33.5 percent). This was primarily due to the sale of the freenet digital Group in the previous year, which means that the contributions from this business (Q1/2020–Q3/2020: 12.6 million euros) have not been included in the Group's gross profit since then.

Other operating income decreased by 10.8 million euros compared with the prior-year period to 42.0 million euros – primarily as a result of lower dunning charges and charges for reversing direct debits as well as income from the charging-on of expenses.

Other own work capitalised relates to internally generated software for IT projects and, at 22.9 million euros, is higher than the previous-year figure (22.1 million euros).

Personnel expenses fell by 10.2 million euros to 219.4 million euros. This trend is largely due to the decrease in the average number of Group employees (2021: 3,834 employees, 2020: 4,050 employees) and lower expenses in connection with reimbursements of reduced hours compensation by the Federal Employment Agency, which were offset by higher severance payments.

Other operating expenses decreased by 29.9 million euros to 251.6 million euros, mainly as a result of lower expenses for loss allowances and defaults on receivables, and lower marketing, outsourcing and IT expenses. In addition, other operating expenses mainly comprise administrative expenses (e.g. incidental costs of the shops/stores and administration buildings), billing expenses, and legal and consultancy fees.

Due to the effects explained above, EBITDA amounted to 447.3 million euros, which is significantly higher than the previous year's figure of 425.9 million euros. The Mobile Communications segment contributed 370.1 million euros to EBITDA (previous year: 354.8 million euros), the TV & Media segment 91.8 million euros (previous year: 79.7 million euros) and the Other/Holding segment –14.5 million euros (previous year: –8.6 million euros).

Depreciation, amortisation and impairment losses increased by 34.4 million euros to 197.3 million euros due to the 29.6 million euro impairment related to a right-of-use asset for a fibre-optic network at EXARING AG. This right-of-use asset – which was capitalised for 68.9 million euros as part of the purchase price allocation carried out when EXARING AG was fully consolidated in 2015 and was subsequently subject to depreciation – has been impaired to a carrying amount of 0 euros. Using a dedicated fibre-optic network to operate its television platform gives EXARING AG a competitive advantage in terms of transmission quality and lower latencies (short transmission times), clearly setting it apart from its market rivals in the opinion of management. The latest technical developments will enable EXARING AG to rent this dedicated fibre-optic capacity on the market at lower operating costs in the future. As a result, EXARING AG has decided to discontinue operating cost-intensive surplus network capacity on a day-to-day basis.

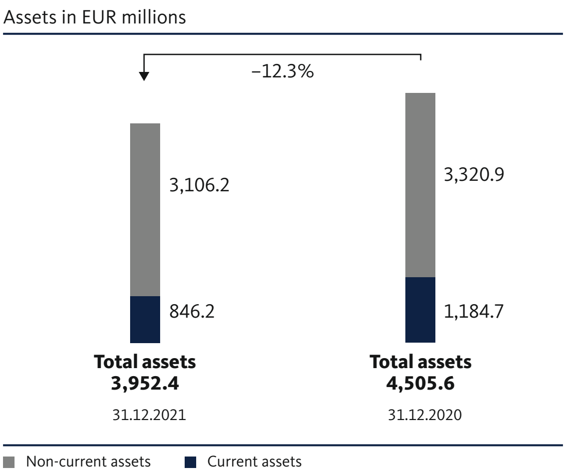
The financial result improved by 13.5 million euros year-on-year to −32.0 million euros. The decrease in interest expenses of 16.9 million euros included in the financial result (2021: −30.7 million euros; previous year: −47.6 million euros) is mainly due to lower bank interest associated with lower interest margins and the repayment of borrowings. The 1.6 million euro decline in the other financial result to −1.5 million euros is primarily caused by negative interest rates on bank balances.

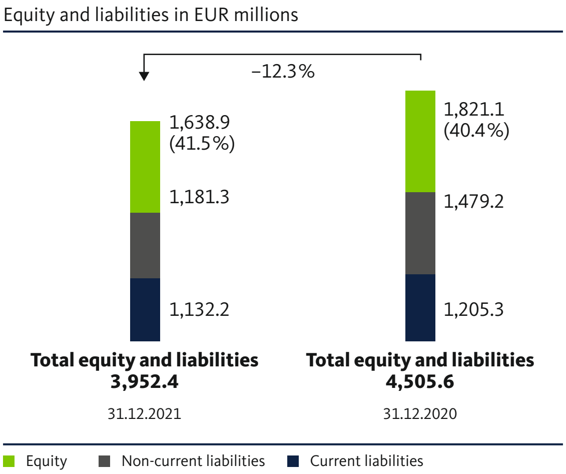
This resulted in consolidated earnings before tax (EBT) of 218.1 million euros, virtually unchanged from the previous year (217.5 million euros).

Income tax expenses were also on a par with the previous year (27.0 million euros) at 26.9 million euros. Current tax expenses of 32.5 million euros (previous year: 23.0 million euros) and deferred tax income of 5.6 million euros (previous year: deferred tax expenses of 4.0 million euros) were recognised. The recognition of deferred tax income mainly arose in connection with the impairment loss on the right-of-use asset in the network of EXARING AG.

The consolidated profit reported in the 2021 financial year totalled 191.2 million euros after 561.0 million euros in the previous year. The prior-year period included consolidated profit from discontinued operations of 370.5 million euros (2021: 0.0 million euros). This item showed all expenses and income attributable to the discontinued operations "Sunrise".

NET ASSETS AND FINANCIAL POSITION
Condensed balance sheet of the Group





Total assets/total equity and liabilities amounted to 3,952.4 million euros as at 31 December 2021, a considerable decrease of 553.2 million euros, or 12.3 percent, compared with the previous year.

On the assets side, non-current assets fell by 214.7 million euros to 3,106.2 million euros. There was a decrease in other financial assets of 68.6 million euros to 201.8 million euros mainly as a result of the lower market value of the CECONOMY investment measured at fair value (31 December 2021: 123.7 million euros, 31 December 2020: 184.9 million euros). In addition, lease assets decreased by 39.9 million euros to 401.4 million euros as a result of depreciation.

This change is also due to a 38.3 million euro decline in contract acquisition costs to 251.1 million euros as a result of lower sales of mobile phone contracts via indirect sales channels triggered by the Covid-19-related closure of retail outlets. The decrease in intangible assets of 35.8 million euros to 458.9 million euros is mainly related to the impairment loss of 29.6 million euros recognised on a right-of-use asset for the fibre-optic network of EXARING AG (see also “Revenue and results of operations”).

In current assets, the decrease in liquid assets by 380.6 million euros to 286.3 million euros is noteworthy. This change mainly resulted from the repayment of several tranches of promissory note loans in the amount of 289.5 million euros, the dividend payment in the amount of 203.7 million euros made in financial year 2021, and payments of 113.1 million euros made in connection with the share buyback programme and the free cash flow of 234.4 million euros generated in the reporting period.

Trade accounts receivable, which are reported within current assets, were primarily owed by end customers, network operators, dealers and distributors and amounted to 245.6 million euros as at 31 December 2021, up 56.3 million euros compared to the previous year. This increase was primarily attributable to receivables due from network operators and end customers. The increase in receivables from end customers resulted mainly from the lower volume of factoring in connection with the mobile phone upgrade option. In this context, please refer to the explanatory disclosures in the notes to the consolidated financial statements, note 33.6.

On the equity and liabilities side, equity fell by 182.2 million euros to 1,638.9 million euros. With consolidated earnings of 191.2 million euros and a dividend of 203.7 million euros paid out, this reduction is primarily due to the share buyback programme carried out between 25 February 2021 and 31 December 2021 (–113.1 million euros) as well as the change to the fair value of CECONOMY recognised in other comprehensive income (–61.2 million euros). The equity ratio rose from 40.4 percent at the end of December 2020 to 41.5 percent at the end of December 2021, primarily due to extensive debt repayments (nominally 289.5 million euros), and remains well above the specified minimum figure of 25.0 percent.

Total current and non-current liabilities fell by 371.0 million euros to 2,313.5 million euros. Borrowings, still the largest item within current and non-current liabilities, decreased by 291.4 million euros to 649.4 million euros. This is due to the scheduled repayments of various tranches of promissory note loans from 2016, 2018 and 2020 with a total nominal volume of 289.5 million euros (see also the explanatory disclosures in the notes to the consolidated financial statements, note 28).

The decrease in lease liabilities by 55.8 million euros to 480.9 million euros is mainly due to scheduled repayments.

CASH FLOWS

Cash flow indicators of the Group

In EUR millions	2021	2020	Change Absolutely	Change In %
Cash flows from operating activities	367.2	357.1	10.1	2.8
Cash flows from investing activities	– 44.1	1,074.2	– 1,118.3	– 104.1
Cash flows from financing activities	– 703.7	– 898.1	194.4	21.6
Change in cash funds	**– 380.6**	**533.2**	**– 913.8**	**– 171.4**
Free cash flow [1]	**234.4**	**237.3**	**– 2.9**	**– 1.2**
Free cash flow (without Sunrise contribution)	**234.4**	**201.3**	**33.1**	**16.4**

[1] Free cash flow is an alternative performance measure. For a definition, see the section “Corporate management”.

Despite the dividend payment from Sunrise received for the last time in the previous year (46.0 million euros), cash flows from operating activities increased by 10.2 million euros year-on-year to 367.2 million euros. In addition to a 21.4 million euro increase in EBITDA, the 30.4 million euro change in contract acquisition costs (consisting primarily of sales commissions paid) due to lower sales via indirect sales channels (2021: 38.3 million euros; previous year: 7.9 million euros) and the 14.3 million euro reduction in interest payments (2021: 33.0 million euros; previous year: 47.3 million euros) had a positive effect. By contrast, the 13.6 million euro increase in net working capital had an adverse impact on cash flows from operating activities.

In financial year 2021, cash flows from investing activities developed from 1,074.2 million euros in the previous year to −44.1 million euros – primarily due to the 1,125.2 million euros of proceeds from the sale of shares in Sunrise received in the previous year. The cash outflows for investments in intangible fixed assets and in property, plant and equipment, netted out against the cash inflows from such assets (net capital expenditure), decreased in 2021 by 1.1 million euros compared with the previous year to 45.1 million euros (previous year: 46.2 million euros). The cash investments were financed entirely out of the company's retained earnings.

Cash flows from financing activities changed from −898.1 million euros in the prior-year period to −703.7 million euros. The payments for the financial year under review were mainly attributable to the repayment of various promissory note loan tranches totalling a nominal 289.5 million euros, the distribution of a dividend of 203.7 million euros, the acquisition of own shares as part of the 2021 share buyback programme totalling 113.1 million euros, and the repayment of lease liabilities totalling 87.7 million euros. The most noteworthy items during the prior-year period were cash outflows relating to the net repayment of borrowings as part of the sale of Sunrise (753.6 million euros), the repayment of lease liabilities (84.1 million euros), and repayments made as part of the 2020 share buyback programme (51.4 million euros).

Free cash flow of 234.4 million euros was generated in financial year 2021, representing a stable trend compared to the previous year (237.3 million euros). Compared to free cash flow adjusted for the dividend from Sunrise (previous year: 46.0 million euros) and corresponding interest payments on the syndicated bank loan (previous year: 10.0 million euros), free cash flow would have increased by 33.1 million euros in the reporting year, mainly as a result of the improved cash flows from operations.

OVERALL ASSESSMENT BY THE EXECUTIVE BOARD OF THE COURSE OF BUSINESS

Comparison of forecast and actual business performance 2021

	2020 reference value	Initial forecast for 2021 (25 February 2021, confirmed Q1/2021)	Raised forecast (H1/2021; confirmed Q3/2021)	2021
Financial performance indicators (in EUR millions or as indicated)				
Revenue	2,576.2	stable	stable	2,556.3
EBITDA	425.9	415 – 435	430 – 445	447.3
Free cash flow (without Sunrise contribution) [1]	201.3	200 – 220	215 – 230	234.4
Postpaid ARPU (in EUR)	18.2	stable	stable	18.1
Non-financial performance indicators (in millions)				
Postpaid customers	7.079	moderate growth	moderate growth	7.178
freenet TV subscribers (RGU)	0.902	moderate decrease	moderate decrease	0.797
waipu.tv subscribers	0.572	solid growth	solid growth	0.723

[1] 2020 free cash flow adjusted for dividend from Sunrise (2020: 46.0 million euros) and corresponding interest payments on the syndicated bank loan (2020: approx. 10 million euros).

The Executive Board of freenet AG looks back on what it considers to have been a highly positive 2021 financial year. Having already demonstrated the viability, crisis resistance and predictability of its business model in 2020, the freenet Group did the same in 2021, even though many shops and stores remained closed due to coronavirus for large parts of the first half of the year under review. This was primarily because:

- the majority of company earnings are based on recurring revenue and margins,
- our interconnected sales channels can be managed according to supply and demand, enabling us to flexibly expand our online retail activities during lockdowns, and
- the freenet Group's structure allows individual subsidiaries and locations to respond quickly and individually to new pandemic-related parameters, among others.

This means the Group was not only able to meet the forecasts for its performance indicators published at the start of the year, but also fully met the raised EBITDA and free cash flow guidance published during the course of 2021.

In the opinion of the Executive Board, this performance is all the more impressive given that many of the freenet Group's shops and stores remained closed for large parts of the first half of 2021 due to the coronavirus crisis. Despite this setback, revenue remained stable at 2,556.3 million euros (−0.8 percent compared to 2020). However, the quality of this revenue improved as the proportion of subscription-based revenue increased, not least due to the stable development of postpaid ARPU in relation to both the competition and previous years as well as the moderate increase in the number of postpaid customers.

Both EBITDA at 447.3 million euros (+5.0 percent) and free cash flow (without Sunrise contribution) at 234.4 million euros (+16.4 percent) exceeded the upper end of the improved guidance. freenet was able to preserve the lessons learned and cost effects of the coronavirus stress test in 2020 and convert them into efficiency gains. The financial performance was primarily driven by the encouraging trend in customer numbers, with the number of postpaid customers in the Mobile Communications segment rising moderately by 99,300 to 7.178 million during the course of the year. Customer numbers in the TV and Media segment also developed in line with the Executive Board's expectations. As anticipated, the customer base for our antenna-based television product freenet TV declined. Overall, 105,300 customers chose not to continue using freenet TV over the past year. As this decline barely impacts profitability due to the 20 percent price increase in May 2020 as well as further cost optimisation measures, the Executive Board believes it can still be considered moderate in the context of the forecast. By contrast, waipu.tv continued to follow its robust growth trajectory by adding an additional 150,000 customers and maintaining an almost 40.0 percent share of the OTT market. As the company has now fully reached its break-even point, each new customer now contributes directly to EBITDA growth.

Overall, the year of crisis in 2021 showed that freenet AG's customer-focused business model, based on contractually secure revenue as well as flexible cost and sales structures, is exceptionally robust. freenet AG is emerging from what is hopefully the imminent end of the coronavirus crisis bolstered by the confidence shown in it by its analysts and investors (as reflected in the number of buy recommendations and the upwardly revised target prices). This is due in no small part to the growth outlook up to the end of 2025 unveiled at the Capital Markets Day in November 2021.

GROUP MANAGEMENT REPORT

REPORT ON POST-BALANCE SHEET DATE EVENTS

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 as an intangible asset 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 the expected remaining useful life (18 months) to 30 June 2023.

The Executive Board of freenet AG on 12 January 2022 also decided with the approval of the Supervisory Board to extend the 2021 share buyback programme (2022 Share Buyback Programme). The programme started on 13 January 2022 and will run until 31 March 2022 at the latest. Under the 2022 Share Buyback Programme, up to 4.2 million of the company's shares (which equates to around 3.28 percent of the share capital of 128,061,016 euros) are to be repurchased through the stock market. The total volume of the 2022 Share Buyback Programme is up to 22.0 million euros.

GROUP MANAGEMENT REPORT

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 with all of the relevant business units, the Executive Board ensures that all members are informed in a timely manner about operational developments. Discussions cover not only current themes, but also 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.

freenet AG and its subsidiaries strive to offer their customers high-quality and attractively priced products combined with excellent customer service in all of their business units. In doing so, they aim to safeguard the existing business while creating opportunities for further growth. Further expansion of the TV and Media segment is an integral part of these efforts. Internet-based television in particular offers freenet AG the opportunity to diversify and tap new growth potential created by the technological shift in television broadcasting methods towards IPTV. Internet access packages complete the current portfolio, enabling the company to offer additional convergent products in the future.

freenet AG sees external opportunities particularly in the following market trends:

- a continued willingness of customers to pay for high-quality and powerful mobile communication devices
- 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)
- changes in the way multimedia content is consumed and a continued trend towards customised TV programmes via streaming services
- increasing demand for convergent bundled products (e.g. mobile communications and TV, landline or digital services)

The entry of another network operator could increase competition between mobile network operators (MNOs) and bolster the service provider model as a result of the requirement to engage in technology-neutral negotiations with competitors. For freenet AG, this could increase both margins and free cash flow. We believe that the short-term effects on the projected financial performance indicators will be minimal.

The 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 customer growth in conjunction with further development of the IPTV market by freenet AG.

Steadily increasing demand for fast broadband connections, coupled with the expansion of fibre-optic infrastructure in Germany, could present an opportunity to tap market potential in this area. The positive effects of this would most likely include increased customer retention and significant contributions to EBITDA and free cash flow.

Internal opportunities for freenet AG could emerge in particular from:

- assessing and implementing strategic options in core business areas,
- positioning freenet as an umbrella and consumer brand,
- strengthening the brands freenet Flex and freenet FUNK in the market segment for flexible tariff and contract models, with the aim of participating even more actively in their growth,
- enhancing our established omni-channel sales by expanding existing and opening new directly controllable retail and non-retail sales channels and utilising existing and new sales collaborations and partnerships,
- improving sales performance and shares of household wallet with even more customer-focused, cross-product offerings and sales pitches,
- maintaining a strong service focus at all customer touchpoints and a local presence with our own shops and stores,
- 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,
- (further) enhancing our own, innovative products, e.g. additional app-based tariffs or additional IPTV products (waipu.tv),
- 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,
- prioritising the empowerment and development of our employees to enhance staff loyalty as well as increased flexibility for our staff 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 or new, innovative 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 our expectations. Strengthening sales activities and customer satisfaction could, as it were, lead to a more positive trend in customer figures than had been forecast.

Some technical innovations and strong partnerships in all business areas as well as new products that can only be booked via an app, will continue to create opportunities for further market penetration in the future. Positioning 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 performs better than expected in the market, this could lead to higher earnings contributions and free cash flow than forecast.

The strategic collaboration of mobile communications services and digital lifestyle applications was accelerated further. This Group-level orientation of business activities will be pursued consistently in the future as well, 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. Continuously expanding the product portfolio and the options for accessing the product, and the innovative app steadily boost the attractiveness of waipu.tv. In the coming years, there will again be opportunities to increase the number of users and to make a greater contribution to freenet AG's growth than previously forecast.

If the measures and efficiency improvements for a lasting 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 more positive than forecast impact in the years to come on the level of material overheads and personnel expenses, and hence on EBITDA and free cash flow.

In addition to strengthening the long-standing successful partnership in mobile communications, the strategic investment of freenet AG in CECONOMY offers further opportunities through synergy effects due to a number of shared business processes. For all segments, this could also result in opportunities for more intensive cooperation, for example, in the development of further business areas.

Both external and internal opportunities were identified, with internal opportunities in particular appearing larger than in the previous year. This could lead to a more positive business performance than planned. Nevertheless, the effects of the opportunities shown on the forecast financial and non-financial performance indicators, and therefore on the development of freenet AG as a whole, are rated as rather low.

Management therefore expects business to develop as described in the report on expected developments.

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, averting damage to our company, our employees and our customers.

freenet AG 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 the freenet Group 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 within freenet AG, 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.

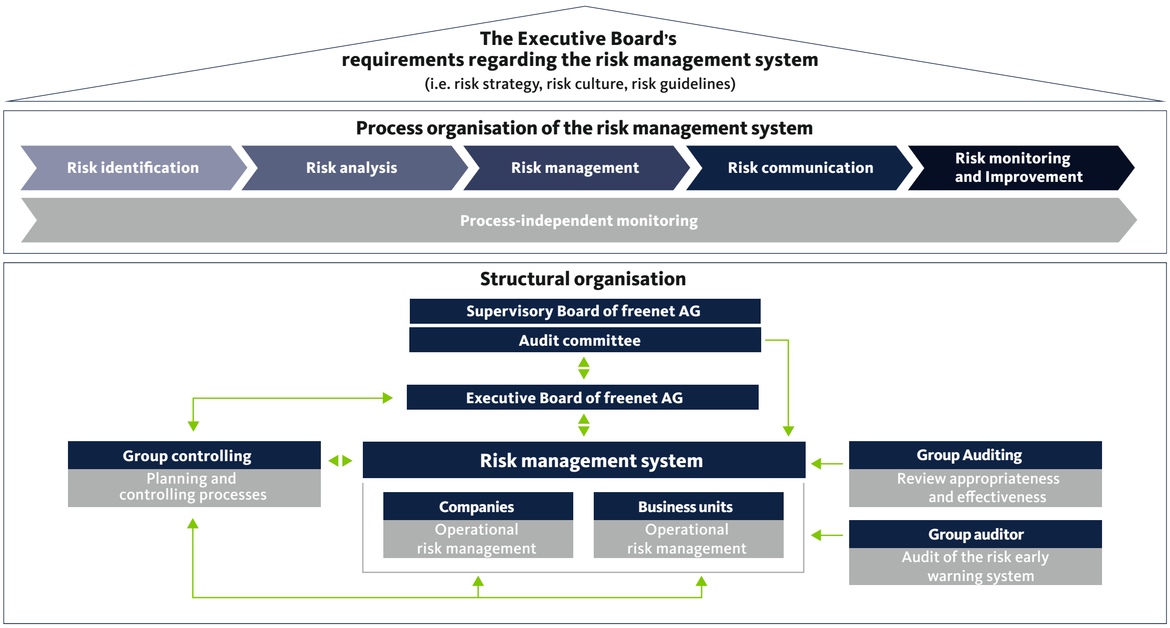
In addition to the risk management system, the Executive Board has established an extensive monthly reporting system that covers both the financial and non-financial performance indicators for the purpose of managing and monitoring its ongoing business activities. In regular meetings with all of the 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 Internal Audit department of freenet AG regularly reviews the appropriateness and effectiveness of the risk management system. freenet AG's 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 internal control system 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 and consolidated financial statements of freenet AG, the 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.

Process and structural organisation of freenet AG's risk management system



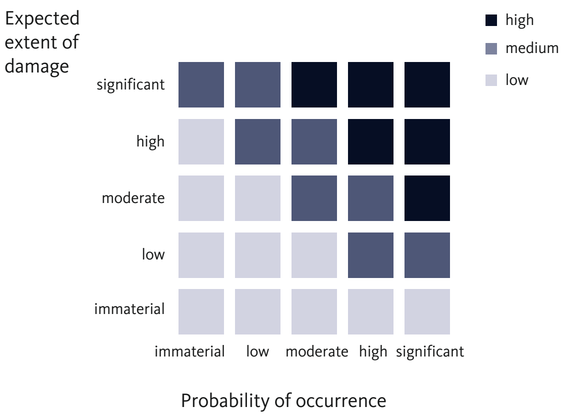
The company's risk management systems and methods are continuously being examined, enhanced and adjusted. Additional quantitative risk assessment methods were established across the Group during the 2021 financial year, while the assessment categories and risk classes were revised in terms of their relevance to the management of freenet AG. As a result of this, the risk classes assigned to a particular risk were changed in some cases. To improve comprehensibility, the risk classification is presented in the summary overview in accordance with the current risk classification matrix as well as the matrix applicable during the previous year.

RISK IDENTIFICATION AND RISK ASSESSMENT

We define risk as the likelihood that events or developments will occur that could have an adverse impact on the freenet Group's ability to achieve its strategic and operational goals. At least once every six months, the individual entities and business units of freenet AG 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 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 within freenet AG is assessed in accordance with the net principle, by which the risks are analysed in conjunction with the impact of any established risk mitigation measures. The criteria "probability of occurrence" and "anticipated extent of damage" are used to assess the risks. The assessment categories and resulting risk classes were updated during the 2021 financial year. From now on, 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 results in the classification of the risks' significance as "immaterial", "low", "medium" and "high".

Risk matrix at freenet AG



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 AG's net assets, financial position or results of operations. The risks are categorised as market risks, IT risks, tax risks, financial risks, strategic risks, operating risks and other risks.

The Mobile Communications segment is the most significant segment in the freenet Group 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. The assessment of risk for the other categories basically applies for all segments. Material differences between the segments in relation to the risk assessment are specified as such separately. The possible effects of the coronavirus crisis on the risk situation of freenet AG are described first.

CORONAVIRUS CRISIS

The Executive Board of freenet AG continually monitors and evaluates the dynamic circumstances and effects of the coronavirus crisis on the business activities of freenet AG. Countermeasures are coordinated, established and communicated across the Group. This is done in close cooperation with freenet AG's risk management team. The development of the most important financial and non-financial performance indicators is continually analysed and accompanied by scenario analysis to enable the company to react appropriately at any time.

The risks recognised in connection with the impact of the Covid-19 pandemic remained a key focus for management during the 2021 financial year and were continuously reassessed. The risks were reassessed to reflect the latest developments in the pandemic and government measures to help companies tackle the effects of the coronavirus crisis but also due to the experience gained from the impact of the company's own risk management initiatives. Although freenet AG's risk position improved year-on-year in relation to the coronavirus crisis, various further restrictions on business and social life are still expected in the 2022 financial year. Where possible, this was taken into account when analysing, assessing and managing identified risks. For example, the predicted increase in bad debt losses was incorporated into planning for the financial year. The company also planned conservatively for any negative impact on bonus and commission payments from network operators caused by continued restrictions on bricks-and-mortar sales channels and lower footfall. As a result, the risks associated with this were adjusted on 31 December 2021. No new risks directly attributable to the impact of the coronavirus crisis were identified.

MARKET RISKS

Highly competitive markets

The telecommunications markets continue to be characterised by intense competition. Competition among providers is likely to increase further as a result of strengthened consumer rights under the amended Telecommunications Act (TKG), which has been in force since 1 December 2021. This can lead to shortfalls in revenue, loss of market share and pressure on margins in the respective business areas and/or can make it more difficult to gain market share. Increased competition could also lead to higher costs for acquiring new customers and retaining existing ones, accompanied by falling revenue and a significant willingness of customers to switch providers (due to shorter contract terms, for example). As a result, the forecast revenue-based key performance indicators, earnings indicators and free cash flow may not develop as planned. In order to prevail against its competitors, freenet AG must continue to design its products and services attractively, market them successfully and carry out customer loyalty activities. In addition, freenet AG must respond flexibly to the development of the competition's business and anticipate new customer requirements. This represents a medium risk for freenet AG overall.

Distribution

Large parts of the economy and bricks-and-mortar retail in particular continue to be directly or indirectly affected by the impact of the coronavirus crisis due to developments such as government-mandated access or contact restrictions, for example. Regional or nationwide lockdowns cannot be entirely ruled out either. These recurring restrictions on bricks-and-mortar retail could result in longer-term changes in consumer behaviour, which in turn could cause bricks-and-mortar sales channels to become less important. It can be assumed that individual measures to tackle and prevent the further spread of Covid-19 will be required in 2022 at least and that this could result in lower bricks-and-mortar retail footfall. This would particularly affect mobilcom-debitel Shop GmbH and Gravis Computervertriebsgesellschaft mbH and their sales locations as well as all of the freenet Group's bricks-and-mortar sales channels. The countermeasures for this would include a stronger shift towards non-stationary sales channels, particularly online, and applications for short-time work to reduce personnel expenses. Overall, this represents a medium risk for freenet AG, with implications for customer acquisition, revenue, EBITDA and free cash flow.

The freenet Group has a broad distribution network. As a countermeasure with regard to the loss of distribution performance, the respective 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 AG.

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

EXARING AG has also established a monitoring procedure to track customer performance in order to take operational management measures in distribution. freenet AG 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 part of the revenue of freenet AG. Any reduction can reduce the margin and make marketing more difficult. freenet AG is trying to minimise the risk by negotiating flexible purchasing terms and by continuously monitoring target attainment for premium payments and renegotiating as and when necessary. This aspect currently constitutes a low risk for freenet AG.

The margins in mobile service provider business 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 AG.

The network operators are increasingly marketing their products themselves and forcing the mobile communications service providers out of the market ("shift to direct"). Also, due to their business structure, the network operators are sometimes able to offer better rates than the mobile communications service providers. This, in turn, can lead to a loss of distribution channels and customers. This aspect represents a low risk for freenet AG 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 may have repercussions for the freenet Group'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 AG counters 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 within freenet AG no longer being able to be executed as in the past and/or high fines being imposed on the company. The risk has been classified as low by freenet AG.

IT RISKS

System failures/errors

The operational availability and efficiency of the technical infrastructure, including the company's data centres and billing systems, are of material importance for the company's successful operation and continued existence as a going concern. There is a low risk that network failures or service problems as a result of system errors or failures resulting from the absence of opportunities for providing customer support might lead to losses of customers or that the TV and Media segment might be affected by problems in the broadcasting of TV and radio signals. Apart from the decline in revenue that results from a loss of customers, a system breakdown means that freenet AG 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 early warning systems are used to prevent such breakdown and failure risks. Continuous maintenance and 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.

Cyberattacks and data theft

Successful attacks carried out by malware or by way of cyberattacks might compromise or maliciously 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 is high and could 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. The remaining risk has been classified as low overall by freenet AG.

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).

The company 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 the company'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 are first united 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 in the freenet Group 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 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. Finally, the Executive Board believes that appropriate loss allowances have been recognised to take 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. Commercial credit insurance, moreover, safeguards us against significant default risks vis-à-vis major customers (dealers and distributors). 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 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 in this area 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. Although of minor significance, the late payment risk completely remains with the freenet Group.

Impairment of assets

In freenet AG'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 risk that impairments might occur. Possible triggering events are identified in the course of impairment tests.

freenet AG's assets are checked both regularly and on an ad-hoc basis otherwise as and when appropriate if there are potential indicators of lasting impairment. Such an indicator may be changes in the economic or regulatory environment. Furthermore, impairments may result from corporate decisions, such as the replacement of the main mobilcom-debitel brand that began in the 2022 financial year and the associated positioning of freenet as an umbrella and consumer brand (for more information, please refer to the comments in the report on post-balance sheet events). 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). The risk of additional impairments is currently classified as low by freenet AG.

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 in the freenet Group participate.

The Group 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 May 2015, February 2016, October 2016, December 2018 and July 2020 (recognised at 649.3 million euros, including interest accruals, as of 31 December 2021) 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 2021.

The credit agreements that were entered into entail another liquidity risk because the restrictions agreed therein ("undertakings" and "covenants") restrict freenet AG's financial and operational leeway. 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. Within narrow limits, the company may borrow outside of the loan agreements in order to finance future strategic investments, for example. In view of the aforementioned reserves, freenet AG classifies the general liquidity risk as low.

A medium 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

The freenet 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 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 more negatively than anticipated, this might under certain circumstances lead to a situation where the Group 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 AG minimises the risk by monitoring the financial ratios continuously and deriving suitable measures at an early stage.

Interest rate risk

As regards variable-interest borrowings, freenet AG is subject to interest rate risks related largely to the EURIBOR. The company counters 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 AG.

STRATEGIC RISKS

Other long-term 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 the cash flow of freenet AG. The equity risk has been classified as low by freenet AG.

Management of mobilcom-debitel's customer service by Capita Customer Services (Germany) GmbH, Berlin

Since March 2017, Capita has been handling the entire customer service of mobilcom-debitel as a strategic partner in particular. If the operations are unexpectedly discontinued by Capita, there is the risk of additional costs as a result of the need to implement the retransfer of the activities contractually agreed for such a case or for the external provider to be changed at short notice. The risk has been classified as low by freenet AG.

OPERATING RISKS

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 or illness/pandemic cases, 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 AG 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.

Service prices for customers in default

Across the entire sector consumer protection agencies have taken legal action against network operators and service providers in relation to the nature and extent of charges imposed on customers in default of payment. In this connection, legal action relating to "cease and desist" and where appropriate payment has been initiated against freenet AG by consumer protection agencies regarding the imposition of service charges for customers in default of payment. freenet AG considers that there is a remaining medium risk of possible payment overall.

OTHER RISKS

The buildings at the Group's Büdelsdorf site is being refurbished and modernised. If the projected expenses or investments turn out to be higher than planned, this could have a minor impact on EBITDA and free cash flow. The risk has been classified as low by freenet AG.

OVERVIEW OF THE RISK SITUATION

The risks for freenet AG outlined above are summarised below. Risks that were still recorded as a result of the coronavirus crisis or whose assessment has changed have been colour coded separately. In addition, for comparability purposes the risk assessment as of 31 December 2021 is presented in accordance with the new risk classification matrix as well as the matrix applicable during the previous year. This makes it possible to track the change (trend) in risk classification from the previous year (see the statements in the "Risk management system" section).

Risk overview

Risks per 31.12.2021	Probability of occurrence		Expected extent of damage		Risk classification		Tendency
	Risk matrix Previous year	Risk matrix new	Risk matrix Previous year	Risk matrix new	Risk matrix Previous year	Risk matrix new	
Market risks							
Highly competitive markets	low	moderate	high	moderate	medium	medium	▶
Distribution							
Restriction of bricks-and-mortar distribution channels	medium	high	medium	low	medium	medium	▶
Loss of distribution partners	low	low	medium	low	low	low	▶
Customer demand for TV and media	low	low	low	low	low	low	▶
Network operators							
Bonuses and commission	low	low	low	low	low	low	▼
Premiums and margins	low	low	immaterial	very low	immaterial	low	▼
Shift to direct	low	very low	immaterial	very low	immaterial	low	▼
Laws and regulation	low	very low	medium	low	low	low	▶
IT risks							
System malfunctions/errors	low	very low	high	moderate	medium	low	▲
Data theft and hacker attack	low	low	medium	moderate	low	low	▶
Tax risks							
Loss carryforwards	low	very low	high	significant	medium	medium	▶
Other tax risks	low	moderate	medium	low	low	low	▶
Financial risks							
Bad debt losses	low	low	immaterial	very low	immaterial	low	▼
Impairment of assets	low	low	medium	moderate	low	low	▼
Liquidity							
General liquidity risk	low	very low	immaterial	very low	immaterial	low	▼
Mobile phone upgrade option factoring	low	low	high	significant	medium	medium	▶
Capital risk	low	very low	high	significant	medium	medium	▶
Interest rate risk	medium	moderate	low	low	low	low	▶
Strategic risks							
Equity investments	low	very low	medium	moderate	low	low	▶
Business process outsourcing of customer support	low	very low	medium	moderate	low	low	▶
Operating risks							
Hardware availability	—	very low	—	low	—	low	new
Service prices for customers in default	low	low	high	significant	mittel	mittel	▶
Other risks							
Redevelopment of Büdelsdorf office	high	significant	immaterial	very low	immaterial	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

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. Market, IT, tax, financial, strategic, operational and other risks were identified as of 31 December 2021. Impacts of the pandemic only occasionally increase the probability of occurrence or the expected extent of damage. Material risks have not been identified.

Their potential effects on the general future development of freenet AG and its financial and non-financial performance indicators are classified as low overall by the Executive Board. The assessments made continue to be dependent upon the duration and extent of the coronavirus crisis. At this point, it is not possible to reliably and completely assess this. Taking these general conditions into account, the Executive Board expects that the positive trend forecast in the outlook 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.

DESCRIPTION OF THE MATERIAL CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM RELEVANT FOR THE CONSOLIDATED FINANCIAL REPORTING PROCESS (SECTION 315 (4) HGB)

freenet AG's internal control system (ICS) is conceptually aligned with the internationally recognised framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO). 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 monitoring measures comprise the core elements of freenet AG's internal monitoring system. freenet AG's accounting process includes automated IT process controls; standardised, 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.

In freenet AG's accounting process, 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 institutionalised 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 in the freenet Group aim at mostly automated generation and control of all material data.

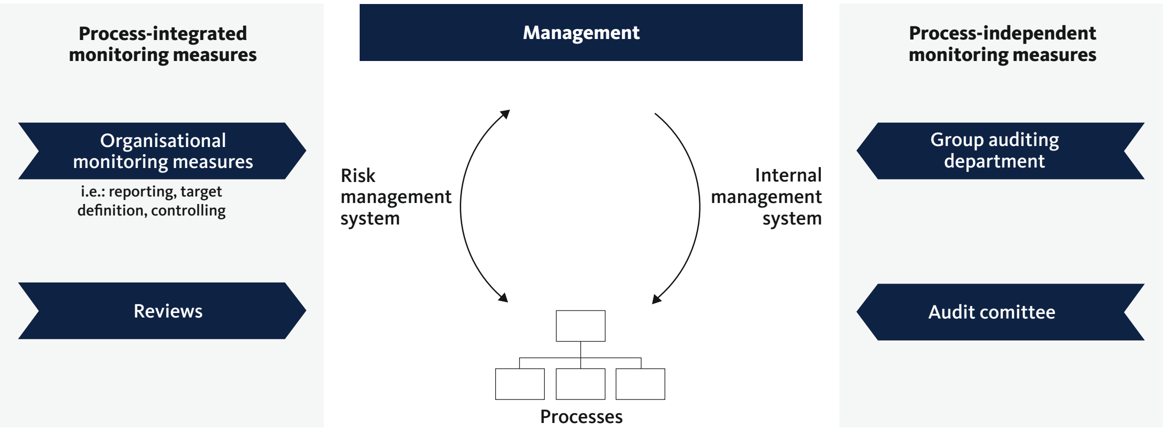
The objective of the controls implemented in the ICS for the accounting process is to guarantee that the financial statements conform to standards and to ensure that the accounting is accurate. Approval processes for issuing access rights protect the IT systems used in the accounting process from unauthorised 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 effectiveness of the ICS is assured through process-independent monitoring. As a process-independent, internal monitoring body, freenet AG's Group Internal Audit unit conducts regular order-based, risk-oriented audits and ad hoc audits to verify the functionality and effectiveness of the ICS by way of spot checks and initiates optimisations when necessary in cooperation with management.

The auditor of freenet AG's consolidated financial statements also audits the effectiveness of the ICS 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 linked to the ICS 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.

Key features of the internal control system of freenet AG



GROUP MANAGEMENT REPORT

REPORT ON EXPECTED DEVELOPMENTS

MARKET/INDUSTRY FORECAST

MACROECONOMIC ENVIRONMENT

Although the global economic recovery was still underway at the end of 2021, there was lingering uncertainty about the continuing course of the coronavirus pandemic. The IMF believes that the short-term impacts of the pandemic could leave their mark on the economy in the medium term, depending on the procurement of vaccines and the precautionary measures taken by governments in particular. In light of supply chain disruption in industrialised nations and the pandemic's growing momentum in developing countries, the IMF has lowered its growth forecast for 2022 slightly to 4.9 percent.

In Germany, politicians are taking every precaution at the start of 2022 to tackle the feared "fifth wave" of coronavirus triggered by the omicron variant. The economic upturn is primarily at risk from the threat of pandemic-related lockdowns, staff absences caused by illness, and supply chain disruption or interruptions.

In addition to this challenge, the new German federal government formed in December 2021 also needs to prove itself in an exceptionally unstable and confusing political environment, both in Europe and globally. In light of these high-risk influencing factors, the harmonious transfer of power and recognisable continuity in government activities is helping to calm businesses and the economy overall in Germany.

Against this backdrop, companies appear to have started the new year with a glimmer of hope in January 2022. This burgeoning optimism about the coming months was particularly evident in the manufacturing sector, where supply issues for precursors and raw materials are expected to ease. As a result, the ifo business climate index rose to 95.7 in January 2022 (December 2021: 94.8).

Nevertheless, the German Bundesbank expects private consumption to receive an even stronger boost in spring 2022 in light of the sharp decline in savings rates. Assuming that pandemic-related restrictions are eased and supply bottlenecks are resolved by the end of 2022, the Bundesbank anticipates a powerful upturn that will lead to above-average utilisation of capacity in the second half of the year and lift economic growth to 4.2 percent. This process of normalization is likely to linger into 2023 with a GDP growth rate of 3.2 percent.

The increase in inflation to 3.2 percent at the end of 2021 caused by catch-up effects from the temporary reduction in VAT, supply chain bottlenecks and rising commodity prices in Germany is not expected to ease in 2022. According to the Bundesbank, higher costs passed on to consumers and higher company profit margins in particular could push the inflation rate as high as 3.6 percent. It only expects this rate to fall again to a still-high 2.2 percent in the following two years.

Although the aforementioned factors had an adverse impact on the labour market in Germany at the start of 2022, leading indicators suggest that the employment situation will remain positive. The use of short-time work due to materials shortages in the industrial sector is holding back unemployment, while demand for new employees also remains very high.

One problem facing the German labour market that is becoming more and more pressing is the country's unfavourable demographic trend. Between 2010 and 2020, deaths increasingly outnumbered births, most recently by 212,000 people – an indication of a shrinking population. This deficit was only offset by immigration. This trend shows that recruiting staff and providing training and continuing education opportunities will play an increasingly significant role in Germany in the coming years.

TELECOMMUNICATIONS MARKET

According to Bitkom e.V., the business climate index for the digital sector rose slightly at the end of 2021. Companies in the ITC sector are particularly optimistic about their business expectations, which are significantly higher than those of the wider economy. This reaffirms the trend towards increased use of digital communication services during the pandemic that was observed in the previous year.

In mid-2021, Bitkom still expected the ITC sector to grow by 3.4 percent to 184.3 billion euros in the coming year. Although it had to rein in this forecast somewhat due to the uncertainty caused by the pandemic and the continuing shortage of semiconductors, the positive trend remains intact. This also benefits the telecommunications industry, which can continue to record moderate growth. This optimistic outlook is primarily due to the sector's continued willingness to invest in telecommunications infrastructure. After a further 6.9 billion euros was invested in expanding fibre and new 5G networks in 2021, 95 percent of all households now have a broadband connection, while thousands of households were also connected to gigabit cables, thus creating the conditions for greater use of telecommunications services as well as moderate and sustained growth.

TV/VIDEO MARKET

The TV and media market is also set to continue the positive development seen in 2021. In light of changes in the consumer behaviour of media users already observed in 2021, the media market is expected to undergo an increasingly pronounced and fundamental shift over the next few years. There is a trend towards TV channels and media companies creating their own on-demand media products and services to compete with the traditional TV and video industry, while previously pure content producers are setting up streaming services. Consumers are driving this trend by keeping up with the latest innovations in digital technology and demanding TV and video content that can be accessed anywhere and at any time. As a result, video on demand (VoD) and digital platforms are proving to be gamechangers.

Growth rates in this area are increasingly influencing revenues across the entire TV and media market. The VoD market alone is expected to grow by 7.6 percent year-on-year to generate revenues of 1.4 billion euros in 2022. The eSport, video games and social games markets are also expected to record consistently positive growth rates.

This positive anticipated development will also have a lasting impact on the use of broadcasting methods, as new products and services will increasingly be distributed using OTT technology. While forecasts suggest that cable television will lose market share by an average of 1.9 percent each year by 2025 with IPTV declining by 0.5 percent per year, OTT transmission is expected to record significant gains.

This strong anticipated OTT growth is due to the fact that 92 percent of the population were equipped with devices capable of supporting OTT in 2021, the same proportion who have access to traditional TV, as well as the age structure of users. In particular, younger groups aged between 14 and 49 have access to screen-based devices with an Internet connection. For demographic reasons, these groups are expected to grow steadily and increasingly access OTT. Of the broadcasting methods available in Germany, IPTV/OTT households made up a combined share of just under 5.7 million (14.8 percent) in 2021. According to the Group's own forecasts, this figure is set to rise steadily to around 11 million households by 2030. If the growth turns out to be exponential, the Group's estimates suggest there could be more than 30 million IPTV/OTT households by the end of 2030.

2022 FORECAST REFLECTS GROWTH AMBITIONS OF THE MEDIUM-TERM OUTLOOK TO 2025

The forecast for 2022 is based on the above expectations and assumptions regarding macroeconomic and sector-specific developments in Germany. This includes the assumption of GDP growth, relatively 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 for the telecommunications and the TV / video market do not provide any grounds for changes that would have an effect on the freenet Group's current business model.

The potential future impact of the coronavirus crisis on the business activities of freenet AG is being constantly monitored, with countermeasures coordinated, established and communicated across the Group. Although freenet AG's risk position improved year-on-year in relation to the coronavirus crisis, various further restrictions on business and social life are still expected in the 2022 financial year. The risks explicitly derived from this situation are included in the risk inventory accordingly (see "Report on opportunities and risks").

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

- Existing customer loyalty and satisfaction remains constant, particularly in the Mobile Communications segment
- Slight market growth in the otherwise saturated mobile communications market
- Internet-based television (IPTV/OTT TV) continues to increase its market share among television broadcasting methods
- Cost savings are proving largely sustainable, although higher inflation and wage cost increases may mitigate their positive effect

Further sustained and profitable growth is expected for 2022, reflecting the financial growth target of average annual EBITDA growth of 4.0 percent or more by 2025 compared to 2020 communicated at the 2021 Capital Markets Day. The expectations for 2022 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 in 2022:

- Revenue for financial year 2021 was in line with expectations at 2,556.3 million euros. Revenue is projected to remain stable in 2022. 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, to improve further.
- At 447.3 million euros in the reporting period, EBITDA was around 5.0 percent higher than the previous year (425.9 million euros), slightly exceeding the guidance raised during 2021 (forecast range of 430 to 445 million euros). Management expects EBITDA to increase further within a range of 450 to 470 million euros in 2022. This forecast includes known effects from an expected increase in inflation and a rise in wage cost currently being observed. Starting from EBITDA in 2020 (425.9 million euros) and based on the midpoint of the EBITDA guidance for 2022, this would correspond to the target of average annual EBITDA growth of 4.0 percent or more announced at the 2021 Capital Markets Day.

- At 234.4 million euros, free cash flow remained at a similar level to the previous year during the year under review (including Sunrise contribution), exceeding the increased guidance of 215 to 230 million euros issued during 2021. The consistently strong performance across the year almost completely offset the effect of the loss of the Sunrise contribution in 2021 (around 36.0 million euros). For 2022, management expects free cash flow to increase (in the middle of the forecast range) to between 230 and 250 million euros. This expectation applies despite an additional investment of just over 10.0 million euros in the comprehensive energy efficiency improvements being carried out at the Group's Büdelsdorf office.
- Postpaid ARPU remained stable during the financial year ended at 18.1 euros. Similarly stable performance is also expected for 2022. No positive effects are anticipated from the marketing of 5G tariffs.

Forecast for 2022: Financial performance indicators

In EUR millions/ as indicated	2021 reference value	Forecast for 2022	Comment
Financial performance indicators			
Revenue	2,556.3	Stable performance	
EBITDA	447.3	450–470	Mid–guidance vs. 2020: approx. +4.0% compound annual growth rate (CAGR)
Free cash flow	234.4	230–250	>50% EBITDA–to–FCF conversion compared with the respective midpoint of 2022 guidance
Postpaid ARPU (in EUR)	18.1	Stable performance	

The non-financial performance indicators are expected to develop as follows in 2022:

- The number of postpaid customers is expected to grow moderately.
- Customer numbers in the TV & Media segment are generally expected to increase based on solid growth in waipu.tv subscribers and
- a marked decline in freenet TV subscribers (RGU). This expectation of a marked decline in freenet TV subscribers (RGU) is due to a reduction in the customer base that was comparable in absolute terms but stronger in relative terms.

Forecast for 2022: Non-financial performance indicators

In millions	2021 reference value	Forecast for 2022
Non-financial performance indicators		
Postpaid customers	7.178	moderate growth
freenet TV subscribers (RGU)	0.797	marked decrease
waipu.tv subscribers	0.723	solid growth

Overall, the company's forecast is based on its understanding of potential macroeconomic developments in Germany at the time this annual report was prepared and on the other assumptions 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 forecasts issued for the Group's financial and non-financial performance indicators.

OVERALL ASSESSMENT BY THE EXECUTIVE BOARD OF THE FREENET GROUP'S EXPECTED DEVELOPMENT

The freenet Group's Executive Board 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 that the freenet Group will continue to pursue its successful digital lifestyle strategy and wants to grow significantly across all areas of its business.

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 ≥ 4.0 percent to at least 520 million euros
- Free cash flow: > 260 million euros
- Customers: Transition from sales machine to demand-focused customer base management

We took a step towards meeting these medium-term targets during the 2021 financial year. The Group was able to meet the forecasts for its performance indicators published at the start of the year, and it also fully met the raised EBITDA and free cash flow guidance published during the course of 2021. The Executive Board of freenet AG is confident of being able to continue its profitable growth in the 2022 financial year to move even closer to fulfilling its medium-term ambitions.

This confidence is also reflected in the forecast, 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 forecast 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.

The current developments in the Russia-Ukraine conflict have been noted by the company and assessed with regard to their impact on the company. No significant effects on risk or forecast reporting were identified.

GROUP MANAGEMENT REPORT

NON-FINANCIAL STATEMENT *

ABOUT THIS NON-FINANCIAL STATEMENT

SUBJECT MATTER AND SCOPE

This non-financial statement has been published by the freenet Group 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 (in connection with Section 315 (c) and Sections 289 (c) and (e), German Commercial Code (HGB). The disclosures included in the non-financial statement relate to the period from 1 January 2021 to 31 December 2021. This report summarises the material aspects and circumstances relating to environmental matters, employee matters, social matters, respect for human rights and anti-corruption and bribery matters.

Unless otherwise noted, the statement covers all fully consolidated companies included in the consolidated financial statements. In view of the business-specific structure of the TV and Media segment and the Media Broadcast Group included in that segment, the presentation of material topics sometimes includes separate information on this group.

The identified material issues reflect the current specific understanding of the freenet Group regarding sustainability. They are reported in accordance with the applicable "Core" option of the Global Reporting Initiative (GRI) standards (see "Further information – GRI Index"). The Investor Relations & ESG department, which reports directly to the CFO responsible for ESG, oversees the content and preparation of this report. Responsibility for the content of the various sustainability aspects lies with the respective departments.

This non-financial statement has been voluntarily reviewed pursuant to ISAE 3000 (revised) in a limited assurance engagement (see "Further information – independent assurance report for the non-financial statement"). For the 2021 financial year, the audit also included the information required for compliance with the EU Taxonomy.

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. An extensive description of the freenet Group's business model is set out in the Group management report (see "Organisational structure and business model").

THE FREENET GROUP'S UNDERSTANDING OF SUSTAINABILITY AND ESG RATINGS

Doing business sustainably and responsibly is part of the freenet Group's corporate culture as well as the driver of our success and the foundation for our future. Our day-to-day business sometimes puts economic principles first, because the freenet Group's financial success is a fundamental requirement for making a reliable and measurable contribution to all freenet Group stakeholders. Going forward, sustainability and non-financial considerations are to be incorporated into every decision and given the same weight as economic decision-making criteria. The aim is to influence the social and environmental sustainability of the freenet Group'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 is not required and which therefore is not audited.

The freenet Group regularly and actively engages with external stakeholders (including investors, sustainability/financial analysts and customers) to help it to continually and strategically analyse and develop sustainability goals. ESG scores rated by independent rating agencies increase transparency for all stakeholders with respect to categorising and weighting the sustainability activities practised by the freenet Group. The freenet Group is in regular contact with Sustainalytics, MSCI, ISS and CDP.

Results of relevant ESG ratings, 2019 – 2021

ESG rating agency	SUSTAINALYTICS	MSCI	ISS	CDP
Rating scale	**Leader to Laggard**	**AAA to CCC**	**A+ to D– (Prime: C+)**	**A to D–**
2021	Risk: 25.0 (Medium) Exposure: 39.1 (Medium) Management: 40.0 (Average)	AA	C	C
2020	Risk: 25.2 (Medium) Exposure: 37.1 (Medium) Management: 35.3 (Average)	AA	C	D
2019	Risk: 26.4 (Medium) Exposure: 36.6 (Medium) Management: 30.7 (Average)	A	C–	C

MATERIALITY ANALYSIS AS THE BASIS FOR DETERMINING MATERIAL ISSUES

In the 2021 financial year, the freenet Group conducted a materiality assessment based on the material issues identified initially for the 2017 non-financial statement. The goal was to update the current materiality analysis, aligning it with the provisions set forth in the CSR-RUG (Section 289c (3) HGB). A multi-step materiality analysis involved the discussion of 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.

Firstly, the spectrum of potentially relevant sustainability issues was laid out for the materiality analysis. These were drawn up on the basis of reporting by industry peers, ESG ratings, the Materiality Map from the Sustainability Accounting Standards Board (SASB) and new regulations (including the EU Taxonomy). The next step was a one-to-one interview where managers discussed the existing non-financial topics. The interviews were used to narrow down the topics relevant for the freenet Group. The third and last step involved all interviewees attending a material workshop together with the Executive Board member in charge of ESG matters (CFO) where they evaluated these topics and determined the content of the report.

The materiality analysis did not result in any fundamental changes to the overarching material issues. The topic of customer matters was supplemented with new issues “network quality” and “product innovations” while the issue of “sustainable packaging” was added to the topic of corporate environmental protection.

Material issues of the freenet Group assigned to CSR RUG aspects and GRI standards

Overarching material issues	CSR-RUG aspect	GRI Standards
Employees ▪ Employer attractiveness ▪ Upgrading skills ▪ Diversity ▪ Occupational health and safety	Employee matters	GRI-103, GRI-401, GRI-403, GRI-404, GRI-405
Digital responsibility ▪ Information security ▪ Data protection	Social matters/ Respect for human rights	GRI-103, GRI-418
Customer matters ▪ Service quality/Network quality ▪ Digital participation ▪ Sustainable product solutions and product innovations (incl. sustainable packaging)	Social matters/ Environmental matters	GRI-103, GRI-417
Corporate environmental protection ▪ Energy consumption/Carbon emissions ▪ Resource consumption (incl. sustainable packaging)	Environmental matters	GRI-103, GRI-302, GRI-305, GRI-307
Compliance and integrity	Anti-corruption and bribery matters	GRI-103, GRI-205
Supply chain and human rights due diligence	Respect for human rights/ Environmental matters	GRI-103, GRI-414

DETERMINING THE MATERIAL NON-FINANCIAL RISKS

The risk analysis carried out by the freenet Group 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 [3] 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 ISSUES

EMPLOYEES

Overarching human resources strategy

The success of the freenet Group, 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. The company has launched a number of different measures and programmes in support of these efforts, and additionally prioritises occupational health and safety. 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.

[3] The following distinction is made in the freenet Group regarding probability of occurrence: very low (≤ 10 percent), low (10 to ≤ 30 percent), moderate (30 to ≤ 50 percent), high (50 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).

The freenet Group's human resources strategy has four main areas of focus:

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 models. We will further improve our (2) employer attractiveness by focusing on attracting employees in a challenging market that favours applicants. Employee retention is another key focus. The most important fields of action in this context are continuing professional development (CPD) and learning. The freenet Group 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 the freenet Group's CEO, is responsible for designing, implementing and managing these measures. In 2016, the Human Resources Development and Recruiting department was upgraded into an in-house centre of excellence for Group-wide issues and questions of strategy involving personnel recruitment and development. Strategy is reviewed quarterly in strategy workshops, and 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 their performance. 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 under the responsibility of the HR department. The most important indicators for measuring the attractiveness of the freenet Group as an employer are employee turnover[4] and external new hires. We also continually evaluate relevant employer rating platforms to determine actions we can take to increase our attractiveness as an employer. In addition, a Group-wide exit survey of employees (not including Media Broadcast) has been conducted since 2019 along with a target group-specific selective survey at Gravis Computervertriebsgesellschaft mbH and mobilcom-debitel Shop GmbH. The results are analysed continually so that we can take appropriate (ad-hoc) measures to counter undesirable developments. In addition, the need for target- or topic-specific employee surveys in the Group is reviewed annually and corresponding surveys are carried out as required.

In the interest of viewing the coronavirus pandemic as an opportunity, the Executive Board, senior management and the HR department have held in-depth discussions to define our 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 we issued a "Statement recognising the way all of our lives are changing" in August 2020 that transparently outlined existing and new principles for the work environment in the freenet Group.

[4] 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].

In 2021, the freenet Group 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.
- “LEADING EMPLOYER Deutschland 2021” seal: This designation is awarded only to the top 1 percent of all employers in Germany and is the most comprehensive assessment of employer qualities of its type. The title is awarded based on an independently conducted analysis of several million pieces of meta data. On the whole, the report analysed more than 100,000 companies.
- “Faires Trainee-Programm” (“Fair Trainee Programme”) seal by Trendence for the Group’s specialist trainee programme in 2021.
- 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 in 2021.

A total of 313 employees (2020: 444; 2019: 595) were hired and recruited in 2021. In 2021, employee turnover in the Group was up slightly year-on-year, standing at 12.1 percent (2020: 10.6 percent; 2019: 11.9 percent). In contrast, employee turnover at the mobilcom-debitel stores and GRAVIS stores decreased slightly compared to the previous year to 24.1 percent (2020: 25.4 percent; 2019: 30.8 percent).

Actions: Various internal and external actions were taken to promote our attractiveness as an employer. In 2021, the careers page of the freenet Group website underwent fundamental revision to make the company more attractive, authentic and accessible for potential target groups. We also continued to grow our Instagram account, which was first created in 2019.

Communication and transparency are important factors for boosting employer attractiveness. “Ask Christoph” (“Frag Christoph”), established in 2015, is a forum where any employee can ask the CEO of the freenet Group questions anonymously and have them answered promptly and personally on the intranet. Town halls have been held once every quarter since 2020, during which the CEO via video call gives an update on current issues relating to the freenet Group. Employees can also submit their questions interactively. Additionally, the Executive Board regularly invites employees to break into small groups to discuss relevant freenet topics for one hour. Here, workers explore possible action areas and give ideas and suggestions for improvement. In this context, two Executive Board dialogues were held on the topic of diversity in 2021.

Apart from the manifold forums offering opportunities for knowledge sharing, the freenet Group also promotes flexible working models to meet the diverse needs of employees, contributing to a work-life balance. Options that have been available for several years include flexible shift models in our shops and logistics operations, working from home for field sales staff and mobile working in many locations for office staff. Media Broadcast has innovated the work week: employees there have been working a four-day week since 2019, a schedule that has met with general satisfaction. 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 will feed back into in a more hybrid working culture at the freenet Group in the future. In this context, management surveys conducted in 2021 also focused on how we can provide more support for hybrid leadership during the pandemic. Furthermore, employees are also included in the design of topics for development by submitting queries via the internal social network channel (Yammer) Weiterentwicklung@freenet.

Additional focus areas to position ourselves as an attractive employer included setting up and expanding a scheme whereby mothers and fathers employed by the freenet Group 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. The freenet Group offers its employees the use of parenting rooms at our Hamburg and Büdelsdorf locations to help them to balance work and family.

Beyond these measures, the freenet Group 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. Additionally, employees can take out a company pension plan with an employer contribution. They have also been able to get occupational disability insurance requiring a less extensive medical examination since 2016. The following benefits are also offered to workers, depending on the location: wellness and massage, food subsidies, discounts on freenet Group tariffs and services, bicycle leasing and company car arrangements.

For the most part, 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 [GRI 401-2].

New hires and employee turnover [GRI 401-1]

Number of Employees	2021			2020			2019		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
New hires freenet Group	**138**	**80**	**58**	**232**	**145**	**87**	**281**	**162**	**119**
thereof <30 years	47	26	21	78	43	35	92	49	43
thereof 30 – 50 years	82	50	32	138	91	47	171	101	70
thereof >50 years	9	4	5	16	11	5	18	12	6
New hires shops/stores	**175**	**138**	**37**	**212**	**178**	**34**	**314**	**248**	**66**
thereof <30 years	120	90	30	153	124	29	220	169	51
thereof 30 – 50 years	55	48	7	57	52	5	91	76	15
thereof >50 years	0	0	0	2	2	0	3	3	0
Employee turnover freenet Group in %	**12.1**	**10.9**	**14.7**	**10.6**	**11.1**	**9.4**	**11.9**	**12.0**	**11.9**
thereof <30 years	18.7	13.5	26.8	20.1	21.7	18.0	21.6	23.2	19.5
thereof 30 – 50 years	13.9	13.4	14.7	11.0	12.8	7.7	11.0	11.0	11.0
thereof >50 years	7.1	7.3	6.6	6.4	6.1	7.7	10.1	10.5	8.5
Employee turnover shops/ stores in %	**24.1**	**24.0**	**24.2**	**25.4**	**26.6**	**22.1**	**30.8**	**31.0**	**30.2**
thereof <30 years	36.1	35.6	37.6	36.5	37.5	33.3	45.9	44.5	49.6
thereof 30 – 50 years	17.9	18.0	17.6	19.3	20.5	15.9	20.8	21.8	17.8
thereof >50 years	6.6	8.7	0.0	7.0	7.1	7.1	10.8	15.2	0.0

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 the freenet Group. Therefore, it is essential to reinforce and cultivate their skills. The skills growth of the workforce in line with the demands of the freenet Group is a central ingredient for the freenet Group's progress and fitness for the future. The main goal is to develop freenet workers' capabilities for self-learning, share Group expertise and contribute to a universal culture of learning, supported by shared experiences.

Aside from developing the skills of our people, the freenet Group 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 the freenet Group, 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 guides the strategic development of Group employees. The competency model, which was established back in 2016, 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 in the review is identifying individual areas of focus and development activities. In 2021, the participation rate stood at 93.6 percent (2020: 95.7 percent; 2019: 96.1 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. In 2021, the Weiterentwicklung@freenet online education portal launched in 2018 was therefore expanded into a learning management system (LMS). The system provides one-stop shopping for training and CPD opportunities, whether in-person or online. The LMS offers all eligible employees access to their educational history, upcoming training sessions and especially 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 covering topics such as "Developing and coaching employees" and "CPD and leadership – what is your role?" 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 mobilcom-debitel 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. In addition to participant management, the system offers other special programmes such as a video channel, a coaching process and a podcast function.

In total, employees throughout the freenet Group[5] completed 26,924 hours of training in 2021 (2020: 18,983 hours; 2019: 28,177 hours). This corresponds to an average of 10.1 hours of formal training per employee (2020: 6.7 hours per employee; 2019: 9.8 hours per employee). A total of 10,113 hours (37.6 percent) of these were spent on digital learning formats (2020: 6,805 hours, 2019: 1,459 hours) and 16,811 hours (62.4 percent) were completed in face-to-face sessions. This means that participation in digital qualification measures has increased for second year in a row. The LMS was used by 1,234 employees in 2021 (2020: 1,234 employees) [GRI 404-2].

Shop and store employees attended a total of 33,752 hours of specially tailored training and CPD sessions (2020: 33,421 hours; 2019: 36,165 hours). This came to an average of 28.4 hours of training (2020: 26.5 hours per employee; 2019: 27.5 hours per employee). In total, the shop and store employees completed 23,936 hours (70.9 percent) in digital qualification settings (2020: 13,475 hours, 2019: 12,984 hours) and 9,816 hours (29.1 percent) in face-to-face training (2020:19,946 hours, 2019: 23,217 hours). 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. The significant shift across the Group towards qualification hours attended in a digital format is mainly related to the pandemic situation in the past financial year.

Actions: The transfer of knowledge within the freenet Group 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 2021, we hired external experts to provide training, e.g., on agile ways of working, file storage and online meetings. The training was complemented by specific courses related to the pandemic, including a coronavirus podcast and various e-learning options such as "Working from Home", "Leading at a Distance" or "Homeschooling".

To upgrade the skills of our managers, 2021 saw a strong focus on various events and forums on the topic of virtual and hybrid leadership. For example, during the pandemic the Workdates tool carved out new opportunities for managers to share knowledge in a virtual environment. Lots were drawn to decide which managers would share best practices in virtual leadership in the digital space.

[5] Learning hours of employees in the mobilcom-debitel shops and GRAVIS stores are reported separately due to their highly specific nature.

The annual freenet entrepreneur programme to promote high performers and talent with exceptional potential was launched in 2015 [GRI 404-2]. The management team suggests potential participants to the Human Resource Development (HRD) function as part of a Group-wide call for people and HRD conducts a systematic process to select participants. In addition to the personal development of participants, the aim is to promote entrepreneurial thinking and behaviour across the freenet Group. The Top Advisor Programme launched by mobilcom-debitel Shop GmbH in 2018 offers a comparable scheme for sales staff with similar goals. 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.

At the freenet Group, employee development is not only guided by our programmes, but it has also been firmly established in our organisational culture since 2016 through annual performance reviews. The structure and content of the annual performance reviews were fundamentally revised in 2021. The focus was the employee development topic and adapting the skills assessment standard. Managers received training on the innovations and an introductory film was produced to ensure successful implementation. Building on this, further training courses such as “Developing and Coaching Employees” and “Employee Development ‘on the job’: a key task for Management” were offered in 2021 to support managers in their responsibility for employee development.

In the field of vocational training and studies combining theory and practise (“dual studies”), more than 100 training places are made available by the freenet Group every year; these consist of a total of 21 training courses at more than 150 training locations. The trainees receive support from focused onboarding, trainee camps and in-house courses. Successful college and university graduates can participate in the freenet Group’s companywide, one-year specialist trainee programme. In 2021, seven participants successfully completed this programme (2020: ten; 2019: ten). The number of students participating in “dual studies” was 28 (2020: 43; 2019: 32), and a total of 292 employees were in training (2020: 328 employees; 2019: 336 employees).

Key figures on training and education [404-1]

Unit as specified	Unit	2021	2020	2019
Implementation of annual performance reviews	**%**	**93.6**	**95.7**	**96.1**
Qualification activities within the Group	**Number of learning hours**	**26,924**	**18,983**	**28,177**
thereof in a digital format	Number of learning hours	10,113	6,805	1,459
Formal learning time per employee in the Group	**Avg. number of learning hours/employee**	**10.1**	**6.7**	**9.8**
thereof in a digital format	Avg. number of learning hours/employee	3.8	2.4	0.5
Qualification activities at shops/stores	**Number of learning hours**	**33,752**	**33,421**	**36,165**
thereof in a digital format	Number of learning hours	23,936	13,475	12,948
Formal learning time per employee at shops/stores	**Avg. number of learning hours/employee**	**28.4**	**26.5**	**27.5**
thereof in a digital format	Avg. number of learning hours/employee	20.1	10.7	9.8
Vocational trainees	**Number**	**292**	**328**	**336**
thereof dual students	Number	28	43	32

Diversity

Management approach: Diversity is firmly embedded as a fundamental value in the freenet Group, 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 that highlights the strengths offered by our diverse team: At the freenet Group, diversity means diverse behaviours, knowledge, ideas, and open communication where each person feels valued [GRI 102-16]. By promoting and challenging 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 the freenet Group. This investment pays off by enhancing our employer brand.

Governance: Responsibility for the issue of 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.

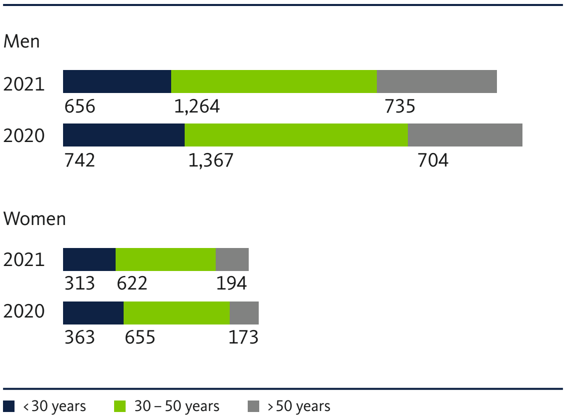
Gender diversity is a focus topic because the freenet Group is subject to the German Act on Equal Participation of Women and Men in Executive Positions (Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen). In accordance with this law, the freenet Group has set targets of ensuring that 30 percent of first- and second-tier managers below the Executive Board are women by 31 December 2021. The target attainment and the new targets are described in detail in the section "Corporate Governance Statement".[6] Of the Group's salaried employees, 29.6 percent are women, which is slightly higher than the previous year (2020: 29.3 percent; 2019: 29.8 percent) [GRI 405-1]. The freenet Group's workforce currently comprises employees of 56 different nationalities (2020: 60; 2019: 62), 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 years, there were no cases of discrimination in the Group to be addressed in 2021 (2020: 0; 2019: 0).

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.

To encourage and support our female employees, development mechanisms specific to women were offered in 2021. More than 40 women at the freenet Group participated in the digital event "Female Future Force Day 2021" by Edition F, while an internal training course with internal experts was designed and implemented. A pilot scheme for an internal women's network has also been launched. Additionally, two Executive Board dialogues were conducted in 2021 on the topic of diversity. This led to the development of a working group which reaches conclusions to encourage more diversity in the Group.

Number of employees by gender and age [GRI 405-1]



6 Disclosures on the diversity policy for the Supervisory Board and Executive Board are provided in the Corporate Governance Statement.

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 activities. Approximately 20 percent of the workforce (2021: 132 workers, 2020: 131 workers, 2019: 142 workers) are involved in the maintenance and any repairs of transmission masts and antennas, some of which are several hundred metres high. 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 company doctor, a workplace safety specialist and a safety officer [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 develop concepts for continuous improvement in these fields. Our risk assessment includes employee surveys which we use to manage the health and safety measures we take and enhance the workplace environment.

A body is appointed by management at Media Broadcast to ensure the employer's duties with respect to occupational safety are upheld. Five regional safety officers have also been appointed. There is also a "skilled electrician manager" in three of our field service areas. In addition, a large proportion of field workers are designated as skilled electricians. Safety officers are deployed in accordance with specialist areas and organisations. 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 performance include the sickness absence 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 [7], which is reported to the Executive Board monthly, was again low in 2021, standing at 4.7 percent (2020: 4.6 percent; 2019: 4.6 percent). The further drop in the rate of industrial accidents and commuting accidents within the Group from 16.2 accidents per 1,000 employees in 2020 to 11.4 accidents per 1,000 employees in 2021 resulted from a combination of an unchanged high level of workplace safety, including the applicable training, and coronavirus-driven rules on remote working. As in the previous year, the rate of industrial accidents and commuting accidents at the Media Broadcast Group was at a low level (2021: 11.0, 2020: 10.4). In 2021 there were no deaths in the Group due to work-related injuries and no severe work-related injuries – the same as in 2020 [GRI 403-9].

Industrial accidents and commuting accidents

Per 1,000 employees	2021	2020	2019
Group	**11.4**	**16.2**	**23.6**
thereof industrial accidents (accident reports/notes)	6.9	10.4	15.2
thereof commuting accidents	4.5	5.9	8.4
Media Broadcast	**11.0**	**10.4**	**14.8**
thereof industrial accidents (accident reports/notes)	5.5	5.2	6.6
thereof commuting accidents	5.5	5.2	8.2

Actions: To ensure the health of our employees, regular courses are held in first-aid and fire safety training, and HR development offers special training courses for managers on "Dealing with employee illness and absence" and "Leading healthy teams". 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. We also offer appointments for the G37 eye test and free flu vaccinations every year. Another action to promote the health of our workers is a two-year pilot known as the Employee Assistance Program which is currently running at our location in Hamburg. The anonymous helpline is operated by an external consulting firm, and it empowers

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

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. Media Broadcast also took action to boost the health of its workers in 2021. In the first quarter of 2021, an electronic health management system with active breaks, online coaching, workshops and individual courses was introduced for all Media Broadcast employees. An online survey showed high acceptance and effectiveness amongst workers [GRI 403-4].

A key element of 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 the safety of employees and third parties, Media Broadcast maintains a written safety policy with corresponding regulations. 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). To meet the latest safety requirements, new climbing and rescue equipment was purchased for all employees with climbing authorisation in 2021. 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 [GRI 403-5].

Over the past year, the Covid-19 pandemic once again highlighted occupational health and safety responsibilities to all employees. The freenet Group reacts immediately to new requirements from the adapted occupational health and safety regulations. Respective procedures are discussed weekly in the freenet Group crisis team and they are implemented by the HR departments at each location. Workers continue to be updated in town halls held by the CEO. Risk assessments with respect to the Covid-19 situation are regularly updated for each of our locations. Workers are also equipped with medical face masks and have access to rapid testing to be performed at their location. Likewise, Covid-19 vaccines have been made available through company doctors for all our workers across Germany. Booster vaccines are also offered to all staff.

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. 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 the freenet Group 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 security which are part of a continuously updated regulatory framework. The 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 the freenet Group with their personal data for our contractual relationship. Responsible behaviour is a thus must for customer loyalty, our reputation and lastly, the success of the freenet Group. Therefore, data privacy and security are central principles which are embedded in the freenet Group’s IT strategy.

Governance: Under the leadership of the CTO, the IT function at the freenet Group 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 below the CTO, the IT Security Coordinator, who centrally coordinates all security measures, and decentralised security officers in each individual IT department. The company'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 Group 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 the freenet Group 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 the freenet Group IT department, they are bound by both the Group's customers' data protection requirements when processing orders as well as statutory data security 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.

In view of the company's approximately 8.8 million subscribers with fixed-term contracts and around 4,000 employees, freenet received only a very small number of data protection complaints in 2021, as in the previous year. Most of these were queries regarding the fulfilment of data subjects' right of access under Art. 15 of the GDPR [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, the freenet Group 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. In 2021, online portals were equipped with additional protection by adding intelligent threat detection and automated defences. Cologne-based Media Broadcast Group, which is part of the freenet Group, has also been certified according to ISO 27001 since 2013. This certification therefore extends to freenet's own data centre in Düsseldorf. [8] Both companies have 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 the freenet Group'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

[8] The certification is applicable for the entire value chain of the Media Broadcast Group and also for the data centre services "housing and hosting" for external business customers rendered by freenet Datenkommunikations GmbH.

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, the freenet Group 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. The customers of the freenet Group should experience a high degree of transparency with regard to the processing of their personal data. The freenet Group guarantees this by providing comprehensive information on this topic on the “Data protection” 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 the freenet Group’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. 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

New clients and customer retention are essential for the success of the freenet Group. Increasing digitalisation and changing lifestyles also transform the needs of our customers and the expectations they have of us. Providing demand-driven customer-centric products and services are part of the overarching mission and strategy of the freenet Group to future-proof our business. 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 the freenet Group. 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” section), and strict implementation of consumer protection legislation. Customers therefore enjoy wide-ranging transparency regarding our prices and services in accordance with the applicable laws [GRI 417-1].

The materiality analysis identified the following customer-related topics which are seen as material for the customer experience and customer satisfaction:

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) of the freenet Group. 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 questionnaires, 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 our support is viewed as a strategic asset for the success of our business, which has around 8.8 million subscribers. Meeting customer expectations enhances customer loyalty and enables us to tap into cross-selling and up-selling potential. The service concept of the freenet Group 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, e.g., through better accessibility, quick answers which result in closed tickets, and, of course, a friendly tone.

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 loyalty is a key aspect of the CSA.

CSAs are carried out regularly by the Market Research & Customer Advocacy function. Building on an established system of key performance indicators and target values, they enable reliable and comprehensible conclusions to be drawn about service quality. 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.

Customer satisfaction is measured in three different categories:

1. Customer satisfaction triad: Overall satisfaction (percentage = satisfied (score 2) or very satisfied (score 1) customers) and intent-to-repurchase and net promoter score.
2. Agent score: Overall satisfaction with the customer service agent and their technical, social and methodological skills.
3. First-contact resolution (FCR): Resolution of customer queries during the first contact.

Results of the CSA as of 31 December

in %/as indicated

[1] Numerical rating scale from 1 (very good) to 5 (poor).

Actions: In the interest of remaining viable and competitive in the future with regard to offering phone-based customer service in particular, the freenet Group in 2017 outsourced customer service to Capita Customer Services (Germany) GmbH, Berlin. 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 through the aforementioned factors. Our partner regularly conducts employee training and monitors compliance with interview guidelines. The content is routinely agreed and approved in consultation with CSM.

To ensure customer service during the Covid-19 pandemic, an agreement on “Alternating telecommuting to provide customer service” was concluded. Compliance with data protection requirements has been guaranteed and these are reflected in the aforementioned agreement.

Since 2018, the freenet Group has focused on enhancing its digital dialogue with customers. In 2021, we updated the “mein mobilcom-debitel.de” and “mein klarmobil.de” customer service portals and expanded the functionality of the “mein md” and “klarmobil.de” smartphone apps. Customers are given the opportunity to use the self-service portals to easily cancel certain options or services themselves, block third-party providers and initiate termination of their entire mobile communications contracts.

WhatsApp was introduced as an additional communication channel in 2019. In 2021, on account of data protection regulations (EU-US Privacy Shield), we refrained from transferring customer queries from traditional non-digital channels to this communication channel. Instead, the focus is now on a web-based chat solution/technology (natural language processing), the development/expansion of which was driven forward in 2021. Based on self-learning technology, an automation rate of around 27 percent has been achieved for customer queries. High process quality also ensures that complex customer requests that cannot yet be answered automatically by the chatbot are forwarded to an agent. The automation rate should continue to rise in 2022 with the implementation of other business processes.

As part of our “virtual shop communications”, our stores were made more accessible by telephone for existing and potential customers in 2020. This should also guarantee a permanent contact method for our customers and enable them to get advice during the pandemic. The plan also continued to be developed in 2021.

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 the freenet Group via 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 who supply the freenet Group with their services. 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 than mobile communications.

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 demand-driven flexible services and solutions for our 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 company's own data centre, 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 standard 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. According to a recent study by Bitkom e.V., a growing number of old mobile phones end up in consumers' cupboards and drawers. For a working circular economy however, 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 the freenet Group to address the needs of customers who also opt for sustainability in their telecommunications behaviour. We do this to allows consumers to contribute to resource conservation when choosing a smartphone, for example, or extending its useful life. The freenet Group intends to offer more sustainable products and services, making them more transparent for customers in the process.

Governance: Products are especially attractive to us if they are environmentally friendly and enhance the product lifecycle. We have neither established a policy with fixed criteria nor a defined process for the selection of products or suppliers. Instead, the responsible functions continually draw on market trends to find suitable solutions to meet the needs of customers. 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: The freenet Group has been partnering with Fairphone B.V. since 2016 for the sale of exceptionally sustainable Fairphones in Germany. With a share of approximately 15 percent (2020: 19 percent; 2019: 19 percent) of total sales volume, it is one of the largest sales partners. In November 2021, the freenet Group began exclusively marketing the “rephone”. It is the first sustainable and carbon neutral smartphone produced in Germany. A 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 launched a sustainable alternative for certified Apple accessories in 2021 with its own brand Networx Greenline. The mix of materials used for the products saved over 30 percent plastic compared to the previous own-brand equivalent. Each accessory has been fabricated from 30 percent straw fibres and has a high recycled plastic content. To keep their carbon emissions at a minimum, these products are shipped to Germany by rail. The plan is to transfer Networx's top 20 sales products to Greenline by year end 2022 to continue to boost the sustainability of the portfolio. We also launched a collaboration with the sustainable screen protector specialist Green MNKY at year end 2021. The Green MNKY high-precision cutter allows for precision cuts of screen protectors in mobilcom-debitel's shops, eliminating around 97 percent of packaging waste. The freenet Group 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 (for more topics see "Corporate environmental protection").

Aside from sustainable products, the freenet Group also offers an assortment of other services to enable customers to achieve sustainability within their digital lives. The remarketing of smartphones and other devices has been a focus for the freenet Group since 2020. Marketing refurbished products involves upgrading the optics and technology with the goal of providing customers with a device that enjoys an extended life. A purchasing programme conducted by the GRAVIS and mobilcom-debitel subsidiaries in partnership with external provider Foxway GmbH represents another contribution by the freenet Group towards ensuring the conservation of resources and reducing electric waste. Refurbishment involves wiping the data with certified software so that legacy data can no longer be accessed. 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 at the store.

Not only does it purchase old equipment, the freenet Group also contributes to extending the life cycle of user equipment by offering repair services. The around 560 mobilcom-debitel shops and GRAVIS stores act as repair points in this respect. Furthermore, the offer of subscription/rental models, e.g., for mobile phones, 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 the freenet Group offers a comprehensive range of security software (e.g. Kaspersky Internet Security, Kaspersky Password Manager and Kaspersky Safe Kids) 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, the freenet Group strives to provide virtually everyone with access to the digital world.

Governance: The freenet Group is continually enhancing its portfolio of customer-focused mobile tariffs and telecommunication-related services based on systematic market and customer analyses. Relationships with the three German network operators enable the freenet Group to structure a 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, the freenet Group also offers low-income earners or socially disadvantaged groups an attractive portfolio of mobile phone and broadcasting technology. Since 2004, the freenet Group 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 [9]. 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 Group customers a broad range of services at mobilcom-debitel stores to help them set up and get to grips with their smartphone after purchase. These services range from helping users familiarise themselves with their new device, to showing them how to adequately transfer data from their old device and providing secure data erasure, through to setting up their smartphone from scratch. Face-to-face contact is important to break down barriers but it’s not the right solution for everybody. Therefore, the freenet Group maintains a variety of other communication channels that enable customers to get in touch with the company. Since 2018, the freenet Group has focused on strategically enhancing particularly its digital dialogue by introducing a chat function or 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 the freenet Group's service.

By providing other products and services, the freenet Group 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 Group company, supports schools in planning, setting up, installing and maintaining WiFi networks under the German government's DigitalPakt Schule programme (digital pact for schools). The company also supports schools with their funding applications. By year end 2021, 286 schools have already benefited from The Cloud's products and expertise. In Büdelsdorf, where the freenet Group is headquartered, we are 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. The freenet Group has made a total of 650,000 euros available for the development of network infrastructure and the purchase of hardware and software since 2001.

The freenet Group believes that encouraging the participation of young people in digital life also means protecting them. With that goal in mind, the freenet Group is expressly committed to the Code of Conduct of German Mobile Communications Providers and is a dedicated member of Jus-Prog e.V., a non-profit organisation that aims to enhance the protection of minors online. The Code of Conduct of Mobile Network Operators in Germany for the Protection of Minors in Mobile Communications, which was established in 2005 by several mobile network operators under the umbrella of the industry organisation Freiwillige Selbstkontrolle Multimedia-Diensteanbieter e.V. was repealed at the end of 2021. According to an agreement between the mobile phone providers, this is no longer current and will be renewed by the end of 2022.

CORPORATE ENVIRONMENTAL PROTECTION

The freenet Group’s business activities in the fields of mobile communications, Internet and TV entertainment generate carbon emissions and influence the availability of resources. In mobile communications, energy and resource consumption is limited mainly to the German administrative and logistics sites, the vehicle fleet and the approximately 560 shops and stores due to the service provider model. The Group’s largest user of energy is the Media Broadcast Group as an operator of digital TV and radio infrastructure (TV and Media segment). For supplying its broadcasting and transmission technology, it consumes energy at 786 transmitter sites and radio towers, thus accounting for 81 percent of the freenet Group’s total electricity consumption in 2021.

[9] 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.

The optimum use of resources and efficient utilisation of energy are important for economic success amid rising energy prices and a competitive environment dominated by large corporations. The freenet Group recognises the negative impact on the environment caused by its business activities and intends to minimise its carbon emissions by 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. The freenet Group therefore explicitly supports political and societal expectations and initiatives in terms of climate protection and climate neutrality.

In addition to reporting in its non-financial statement, the freenet Group has also been an advocate of the Carbon Disclosure Project (CDP) since 2018. With the annual disclosure of climate data, especially carbon emissions, the company has increased transparency on the environmental impact of its activities, raising its CDP score from "D" to "C" in 2021.

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 the freenet Group. In the 2021 financial year, we set the goal of becoming climate neutral by 2030, and we are currently developing a detailed plan of action and timeline. One key goal is to reduce controllable carbon emissions (Scope 1 and Scope 2 emissions) to zero by 2030. From the freenet Group's point of view, the reduction of Group-wide energy consumption by increasing energy efficiency, purchasing energy from renewable sources and electrifying the vehicles 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 mobilcom-debitel shops and GRAVIS 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, the freenet Group subsidiary Media Broadcast has its own Real Estate Management (REM) system and an Energy Management Officer who reports 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 DIN EN ISO 50001 that is used to manage and monitor quality, occupational safety, security and data protection as well as environmental protection. A DIN EN 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 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. Since 2021, training has been 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 the Media Broadcast Group'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.

The freenet Group is ideally placed to make greater energy efficiency a reality through technological optimisation and digitalisation, as outlined in its business model. 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[10] with the more energy-efficient DAB+ standard in Media Broadcast's broadcasting business segment. As a crucial sustainability aspect, energy efficiency also plays a role 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 section “Supply Chain and Human Rights Due Diligence” (see “Supply chain and human rights due diligence”).

The freenet Group 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. The freenet Group set the goal of increasing the share of the Group’s hybrid or electric vehicles to more than 10 percent of the overall vehicle fleet by the end of 2023. In 2021, the share of EVs and hybrid vehicles was approximately 4.6 percent. Employees entitled to a company car also 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.

Actions: Statutory energy audits pursuant to sections 8-8d EDL-G (Act on Energy Services and Other Energy Efficiency Measures) are carried out at the freenet Group 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. The last legally mandated energy audit for the freenet Group was conducted in December 2019 and the next one is scheduled for 2023. Energy auditing at the freenet Group includes all Group companies, with the exception of Media Broadcast, which is performed separately. The next legally mandated energy audit for the Media Broadcast Group will be in 2022.

Since January 2021, all the Media Broadcast Group’s locations have been powered by green electricity through its contractual partner Deutsche Funkturm GmbH. As 99 percent of Media Broadcast’s annual energy consumption (2021: 58.6 GWh) is caused by the supply of transmission infrastructure, this results in a plunge in the Group’s (market-based) carbon emissions from electricity compared to the previous year. The Media Broadcast Group, the largest consumer of energy across the Group, is therefore almost carbon neutral in terms of electricity supply. The freenet Group’s data centre in Düsseldorf has been powered by green energy for several years, meaning it also has carbon-neutral energy consumption.

Overall, Group-wide electricity consumption amounted to 70.3 GWh in 2021 (2020: 72.0 GWh). The goal is to continue to make the overall electricity consumption of the freenet Group greener, where this is contractually feasible, to consistently reduce Group-wide (market-based) carbon emissions from electricity. As a result of this endeavour, the freenet Group signed new electricity supply contracts in the financial year ended, which will come into effect from January 2022. Only green electricity agreements have been accepted. Every electricity agreement concluded by the Group's offices and stores which is directly controllable by the company was included. Measured by electricity consumption in the 2021 financial year, this incentive will enable the company to expand its share of green electricity for directly controlled procurement from current levels of about 65.6 percent to almost 100 percent in 2022 [GRI 305-5].

[10] Sale of Media Broadcast's analogue radio infrastructure in 2018.

As a measure to reduce energy consumption, approximately 95 percent of mobilcom-debitel shops and GRAVIS stores were equipped with energy-efficient, long-lasting LED lighting in the 2021 financial year. The logistics location in Oberkrämer has now converted around 70 percent of its lighting to LED technology (2022 target: 100 percent). The refurbishment of the office and administration building in Büdelsdorf is also progressing. One of the renovation highlights in 2021 was energy-efficient insulation, which was installed in the facade and the roof. In addition to other renovation measures, full modernisation of the building's technical systems is also planned. Aside from the installation of an energy-efficient ventilation system including new measurement and control technology, one of the two gas boilers is to be replaced by a heat pump. Additionally, only LED lighting will be used in the building going forward.

To continue to reduce the Group's fuel consumption and advance the electrification of our vehicles, the freenet Group continued to put strategic incentives in place in 2021. Aimed at promoting climate-friendly travel to work, an electric bike leasing scheme was introduced for employees in the past financial year. Much like the car leasing model, workers are leased a bicycle or an electric bicycle as a benefit-in-kind. Since the scheme launched in August 2021, 76 bicycles have been ordered Group-wide. Additionally, the freenet Group subsidises the use of public transport and contributes to the costs of setting up a private EV charging station at employees' homes, if they are entitled to a company car. Eight charging stations were subsidised for this purpose in the 2021 financial year. To provide adequate charging infrastructure, the freenet Group put four charging stations (eight charging points) overall into operation at our Hamburg office in 2021. Plus, the installation of a charging station has either been commissioned or approved for the logistics location in Oberkrämer and the data centre in Düsseldorf for 2022. EV charging units are also in the pipeline for Media Broadcast Group offices in Cologne. The cumulative number of EV charging points is therefore expected to rise by at least 20 in the 2022 financial year (2021: 18 charging points).

The portfolio of employee vehicles was expanded by four additional EV models in the 2021 financial year. Now, employees can choose from five e-models from various manufacturers, giving everyone the opportunity to have an EV under the scheme. Compared to the previous year, overall, the number of registered EVs more than quadrupled across the Group and the figure is expected to double in the first three quarters of 2022 (+48 EVs). Additionally, the company also intends to increase its own pool of EVs used for business trips. Media Broadcast conducted a needs analysis of its service vehicles in 2020 based on operational necessity and continuous mileage checks, among other things. Overall, the vehicle fleet was reduced significantly to 254 vehicles by the end of 2021 (2020: 312 vehicles, 2019: 350 vehicles).

In the 2021 financial year, the freenet Group calculated its carbon footprint from travel activities for the first time (flights, rail travel, car rental and overnight hotel stays). This amounts to 295.2 tonnes of carbon dioxide equivalent in 2021 (2020: 516.0 tonnes, 2019: 1,400.4 tonnes). Travel bookings are carried out at the freenet Group according to a uniform process based on a travel policy. This travel policy also explicitly states that virtual meetings must be considered, and such options must be exhausted as far as is feasible. The pandemic has meant a sharp reduction in travel across the freenet Group since 2020, which limits the meaningfulness of the value of travel-related emissions compared to 2019.

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

Unit as specified	Unit	2021	2020	2019	2015 (base year)[1]
Energy consumption (total)	**GWh**	**81.1**	**84.6**	**95.3**	**156.0**
Electricity consumption (Scope 2)[2]	GWh	70.3	72.0	76.6	134.0
thereof Media Broadcast	GWh	58.6	59.4	62.1	116.2
Fuel consumption (Scope 1)[3]	GWh	10.9	12.5	18.8	21.9
Electricity from renewable energy sources (total electricity consumption)	**GWh**	**64.2**	**33.2**	**32.3**	**46.8**
Share of electricity consumption from renewable energy sources in total electricity consumption[4]	%	91.4	46.1	42.1	34.9
Share of electricity consumption from renewable energy sources through controlled sourcing in total electricity consumption	%	65.6	n. a.	n. a.	n. a.
Carbon emissions (Scope 1, 2, 3) – market-based after offsetting	**tCO_2eq[5]**	**9,303.1**	**32,983.9**	**42,316.5**	**75,146.2**
Carbon emissions (Scope 1, 2, 3) – location-based after offsetting	**tCO_2eq**	**30,958.2**	**34,971.6**	**44,851.4**	**78,633.1**
Direct carbon emissions (Scope 1)	tCO_2eq	2,443.4	2,875.2	3,768.7	4,632.3
Indirect carbon emissions (Scope 2) – market-based[6]	tCO_2eq	4,060.7	26,887.8	33,757.2	67,151.3
Indirect carbon emissions (Scope 2) – location-based[6]	tCO_2eq	25,715.8	28,875.5	36,292.1	70,638.2
Further indirect carbon emissions (Scope 3) before offsetting[7]	tCO_2eq	3,162.8	3,221.0	4,790.6	3,362.6
Further indirect carbon emissions (Scope 3) after offsetting[7]	tCO_2eq	2,799.0	3,221.0	4,790.6	3,362.6
Carbon intensity (Scope 1, Scope 2 market-based)	**tCO_2eq / million revenue**	**2.5**	**11.6**	**12.8**	**23.0**
Carbon intensity (Scope 1, Scope 2 location-based)	**tCO_2eq / million revenue**	**11.0**	**12.3**	**13.7**	**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 purchase of renewable energy (emission factor source: German Federal Environment Agency).
[7] Indirect emissions (Scope 3) in 2021 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). In 2020 and 2019, 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: The freenet Group 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, which in turn reduces Group-wide carbon emissions. 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. The freenet Group strives to continue to reduce the use of resources in our 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 carbon emissions related to logistics are the responsibility of the Supply Chain Management department under the leadership of the Chief Financial Officer. By partnering with diverse transport providers, logistics staff are trying to make shipments more climate-friendly in the coming years. The freenet Group now ensures that logistics partners maintain verifiable certificates demonstrating environmental compliance with the minimum requirements set out in DIN EN ISO 14001, in addition to the obligations for optimum customer service provision in DIN EN ISO 9001.

Minimising resource consumption at the freenet Group 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 optimising the use of packaging materials (cardboard and fillers) and climate neutral shipping services for the transport of hardware (smartphones, SIM cards, accessories) between our locations and to customers.

Actions: In the 2021 financial year, the freenet Group continued to expand the digitalisation of its business activities with respect to internal processes and customer communications. In the mobile segment, the share of electronic invoices increased further by 1.4 percentage points to 91.3 percent (2020: 89.9 percent, 2019: 81.4 percent). This share is forecast to rise over the next few years with additional projects in the pipeline. In the future, this could save the carbon emissions from printing and mailing more than two million invoices per year. In the TV and media sector, virtually all subscriptions are exclusively digital and standard contractual documents are sent to our customers electronically. This applies equally to freenet TV and waipu.tv customers.

Proportion of online invoices

in %	2021	2020	2019
Online invoice	**91.3**	**89.9**	**81.4**
thereof mobilcom-debitel	89.7	88.4	77.7
thereof klarmobil	95.7	95.5	95.5

Unavoidable carbon emissions from customer communications during the production and delivery of standard contract documents and payment processing were offset for the first time in the mobile communications sector in cooperation with service providers via accredited climate action projects. Regarding customer communications, this affected shipments in double-figure millions for main brands mobilcom-debitel and klarmobil in the 2021 financial year, with calculated carbon equivalents of around 363 tonnes. 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. Additionally, in the 2021 financial year, the carbon emissions caused by payment processing in the mobile communications sector were also offset for the first time. Carbon equivalents totalling 0.588 tonnes were offset by the service provider in favour of an accredited climate action project.

In 2021, the freenet Group analysed its carbon footprint from storage, packaging, outgoing goods and shipping for the first time. It was determined that approximately 914.3 tonnes of carbon emissions (including carbon emissions from related energy consumption) were caused by customer shipments in the past financial year. The freenet Group logistics organisation has also implemented various measures to improve the environmental sustainability of packaging materials, for example, or to continue to optimise or reduce internal shipping volumes. This includes regular reviews of standardised carton dimensions in relation to various types of articles. To continue optimising packaging sizes, the company aims to introduce a customised software solution in 2022, which will enable enhanced control of the carton selection process.

Currently, at least 50 percent recycled plastic is used by logistics for packaging fillers, and we are committed to increasing this target to 100 percent in 2022. External suppliers – not forgetting valid and necessary transport safety standards – are being made more accountable in this respect. Since 2020, in addition to economic and safety factors, the topic of sustainability has been included in tenders for fillers and closure materials with a weighting of 40 percent for awarding contracts.

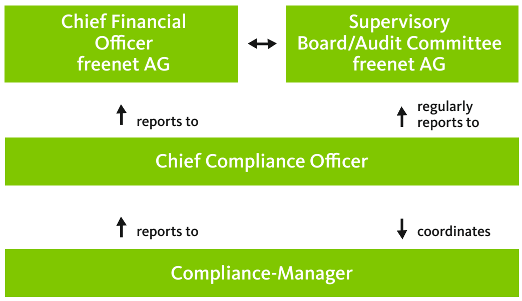
COMPLIANCE AND INTEGRITY

Management approach: The freenet Group 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, the freenet Group ensures compliance with legal requirements and internal policies. If they are not upheld, it could have a negative impact on the reputation of the freenet Group 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 the freenet Group 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 and to preserve and strengthen the trustworthiness of the freenet Group in the long term.

Governance: Compliance management is of great importance to the freenet Group. 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 Internal Audit and Fraud Management. 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 the freenet Group. Since the long-standing CMS was established, no confirmed instance of corruption has become known in the freenet Group [GRI 205-3].

Compliance management structure



Actions: Regular risk analyses are carried out to identify the freenet Group's 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. In the freenet Group, 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, the freenet Group 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. 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. In the freenet Group, 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 the freenet Group 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). If they wish, they can also make a report anonymously. 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 section "Corporate Governance Statement".

One aspect which has continued to gain in importance in recent years is corporate responsibility for human rights and sustainability infringements in the upstream supply chain. The freenet Group 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 the non-financial statement.

SUPPLY CHAIN AND HUMAN RIGHTS DUE DILIGENCE

Management approach: The freenet Group 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 introducing the Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz). 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 the freenet Group 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. The freenet Group'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: The freenet Group'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 such as Apple, Huawei or 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. The Media Broadcast Group has its own purchasing unit because the inputs it needs to source are highly specific.

Around 99 percent of suppliers and around 99 percent of indirect purchasing volumes (both figures include Media Broadcast) commissioned in the 2021 calendar year 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 the freenet Group. Due to this supplier structure, the risk of significant negative impacts from the freenet Group's business relationships is thought to be low.

Actions: Irrespective of the risk assessment, the freenet Group 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 of Conduct 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 the freenet Group. Suppliers are also committed to the Code of Conduct by default via the General Terms and Conditions of Purchase. These are legally binding and oblige suppliers to comply with the Code of Conduct, among other things.

In the event of violations of the Supplier Code of Conduct, the freenet Group 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 the freenet Group's standards, the Code of Conduct provides for direct contact for business partners to the freenet Group's Compliance department, which initiates investigations if required. Getting in touch with the freenet Group can also be done anonymously.

In 2017, sustainability topics were included among the decision-making parameters in the freenet Group'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. This is relevant in the procurement of corporate fashion for staff, for example. In this context, all suppliers and service providers will be required to agree to the Supplier Code of Conduct prior to doing business with the freenet Group.

Media Broadcast's separate purchasing policy focuses to a greater extent on aspects of environmental protection and energy efficiency as Media Broadcast 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.

Vigorous and systematic screening of suppliers, e.g. through auditing, for compliance with the provisions of our Supplier Code of Conduct has not yet been undertaken [GRI 414-1]. However, in 2021, Media Broadcast succeeded in getting its strategic suppliers, who have not yet had to acknowledge the Supplier Code of Conduct, to explicitly confirm their compliance with the Code. These suppliers amount to around 37 percent of overall sales volumes.

EU TAXONOMY REPORT

OBJECTIVES AND BACKGROUND OF THE EU TAXONOMY

The EU Taxonomy, a classification system which determines environmentally sustainable economic activities, is a key instrument for achieving the climate targets of the Paris Agreement. It will establish a uniform reporting standard for economic activities at European level which are relevant to the environment. Such transparency should put an end to greenwashing. The European Union introduced the Taxonomy Regulation to promote the transition to a sustainable economy.

The basis for this is Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088. It defines the requirements for sustainable investment while also amending the Disclosure Regulation.

Firstly, the European Union defined 69 activities under its two environmental objectives; “climate change mitigation” and “climate change adaptation”. The EU Taxonomy distinguishes between taxonomy-eligible and taxonomy-aligned activities.

Taxonomy-eligible activities are economic activities which have been defined for the existing environmental objectives of “climate change mitigation” and “climate change adaptation”. For these two environmental objectives, precise criteria already exist in the EU Taxonomy, defining under which conditions they are considered environmentally sustainable. According to current understanding, it does not matter whether the economic activity directly serves to generate revenue and thus is the actual economic activity of the company. Furthermore, each economic activity in the business can potentially be taxonomy-relevant.

Economic activities are taxonomy-aligned, i.e., environmentally sustainable within the meaning of the Taxonomy Regulation, if all the following criteria are met:

- They make a significant contribution to climate change mitigation or climate change adaptation, demonstrated by compliance with the technical screening criteria defined by the EU
- They do not significantly harm the other five EU environmental objectives (DNSH: Do No Significant Harm)
- They meet minimum social safeguards

Article 8 of the Taxonomy Regulation in conjunction with Article 10 of the delegated act (EU) 2021/4987 of 6 July 2021 governs the disclosure requirements for the 2021 financial year. Initially, only the taxonomy-eligible economic activities in relation to the first two environmental objectives and the share of revenue, capital expenditure (CapEx) and operating expenses (OpEx) associated with these activities in the respective total value of the Group (as defined by the EU Taxonomy) are reportable for the 2021 financial year.

Full reporting is not required until the 2022 financial year, with which the share of taxonomy-aligned economic activities must also be reported.

The European Securities and Markets Authority (ESMA) emphasises that amendments are still to be expected regarding the collection and assessment of taxonomy-eligible and taxonomy-aligned activities. The mandatory reporting below reflects the current status of the interpretations.

PROJECT ORGANISATION AND DETERMINING REPORTABLE ACTIVITIES

To determine the freenet Group's taxonomy-eligible activities, a core project team was established with the involvement of Investor Relations & ESG, Controlling, Accounting and Legal.

In an introductory workshop, the core team discussed the taxonomy-related requirements and developed a uniform understanding of the reporting obligations on taxonomy-relevant activities.

Subsequently, interviews were conducted with experts from each function to analyse in detail how individual economic activities are affected by the taxonomy and to structure the identified topics.

The interview conclusions regarding the relevant activities were summarised in an impact matrix. Possible interpretations of the activity descriptions were put into writing and discussed with a view to making a final assessment.

The core team was supported by an external consultant throughout the entire impact assessment process and subsequent data collection.

INTERPRETATION

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. For the freenet Group, the sector-specific activities in the category "Information and communication", specifically 8.2., Data-driven solutions for GHG emissions reductions (Annex 1) and 8.3 Programming and broadcasting activities (Annex 2) are relevant.

In both cases, the freenet Group has decided, in consultation with its specialist departments, to apply an interpretation oriented on the text. Consequently, the economic activities of the freenet Group are not covered by the descriptions in 8.2 (Annex 1) and 8.3 (Annex 2).

EXPLANATION OF IDENTIFIED ACTIVITIES

The activities identified essentially relate to issues that touch on various aspects of value creation for the freenet Group. This includes infrastructural issues around our own fleet (Section 6 – Transport) as well as the buildings (Section 7 – Construction and real estate). Activities with respect to data centres were also relevant (Section 8 – Information and Communication). These involve specific activities which are described under the following headings in accordance with the Taxonomy.

- 6.5. Transport by motorbikes, passenger cars and light commercial vehicles
- 7.2. Renovation of existing buildings
- 7.3. Installation, maintenance and repair of energy efficiency equipment
- 7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
- 8.1. Data processing, hosting and related activities

Activities 6.5, 7.2., 7.3. and 7.4. are explained in the "Corporate environmental protection" section of the non-financial statement. Activity 8.1. concerns the operation of two data centres.

QUALITATIVE AND QUANTITATIVE DISCLOSURES

As of 1 January 2022, in addition to qualitative information, only the proportion of taxonomy-eligible and non-taxonomy-eligible economic activities included in total revenue, capital expenditure and operating expenses must be disclosed by non-financial undertakings for the 2021 reporting period. The provisions of Article 8 of the Taxonomy Regulation shall only apply from 1 January 2023 in full (i.e., for the 2022 reporting period). The delegated act under Article 8 of the Taxonomy Regulation specifies the content, methodology and presentation of key performance indicators to be disclosed by non-financial undertakings.

The freenet Group has determined the data required for the 2021 reporting year in accordance with the definitions and specifications set out in Article 8, Annex 1.

Quantitative disclosures, EU Taxonomy 2021

KPI	Total in EUR millions	Taxonomy-eligible portion in %	Non-taxonomy-eligible portion in %
Revenue	2,556.3	0.1	99.9
CapEx	122.4	4.4	95.6
OpEx	33.7	15.9	84.1

Following a general principle of materiality, the freenet Group has defined a materiality threshold for reporting within the framework of the EU Taxonomy. If the total value of the proportion of taxonomy-eligible revenue, capital expenditure (CapEx) or operating expenses (OpEx) is below the threshold, it is not considered material in relation to one or the total activities.

The financial data used to calculate the KPIs are taken directly from the Group's accounting system. The Group's net revenue shown in the denominator corresponds to the Group's net revenue in accordance with note 4. The capital expenditure population applied is the sum of gross additions to non-current assets (note 37) and additions to the non-current right-of-use assets shown in note 2.5. The corresponding consolidated accounts were used for population of operating expenses. 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.

In terms of the quantitative information for the activities listed in the previous section, the freenet Group considers its revenue and CapEx immaterial. Accordingly, no explanatory background information, such as the quantitative breakdown of the numerator, is provided. Compared to revenue and CapEx, the specific and narrow OpEx understanding in the EU taxonomy is the reason for the applicable OpEx (denominator) being significantly lower than the operating expenses of the freenet Group overall. This leads to a 15.9 percent taxonomy-eligible share of OpEx (numerator) when including personnel costs that relate to the areas listed in the OpEx definition (i.e., research and development, maintenance, renovation and short-term leases). These comprise 53.8 percent personnel costs, 23.8 percent maintenance and repair costs, and 22.4 percent other costs including short-term leases. Most of the taxonomy-eligible OpEx relate to activity 8.1.

If the legislator or the literature of legal commentary further clarifies the materiality analysis in the future, this shall be fully considered by the freenet Group.

AUDITING THE DISCLOSURES UNDER THE EU TAXONOMY

Within the framework of the non-financial statement and considering the implications of the EU Taxonomy, the disclosures were subject to a limited assurance engagement in accordance with ISAE 3000 (revised).

GROUP MANAGEMENT REPORT

CORPORATE GOVERNANCE

In this section, the Executive Board and Supervisory Board report on the Corporate Governance in the freenet Group. The chapter also contains the Corporate Governance Statement in accordance with sections 289f, 315d HGB as well as the information relating to sections 289a (1), 315a (1) HGB.

freenet AG and its management and supervisory bodies are committed to the principles of good and responsible corporate governance; they identify with the objectives of the German Corporate Governance Code and with the principles of transparent, responsible management and control of the company aimed at enhancing its value. The Executive Board and the Supervisory Board, together with all managers and employees in the freenet Group, are committed to pursuing these goals.

In its meeting on 9 December 2021, the Supervisory Board considered the regulations of the German Corporate Governance Code as amended on 19 December 2019 and, together with Executive Board, issued the annual Declaration of Conformity with regard to the German Corporate Governance Code. The Declaration of Compliance dated 9 December 2021 is included in the following Corporate Governance Statement and has been made permanently accessible on the company's website under Corporate Governance.

CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH SECTIONS 289F, 315D HGB*

In the Corporate Governance Statement in accordance with sections 289f, 315d HGB, freenet AG displays its current Declaration of Compliance in accordance with section 161 of the German Stock Corporation Act (AktG) and explains the relevant disclosures about corporate management practices that are applied over and above the statutory provisions. In addition, the working practices of the Executive and Supervisory Boards are described and the composition and working practices of the Supervisory Board's committees are disclosed. Also to be found in the following are the information regarding the percentage of women in the Executive Board and in the two management tiers below the level of the Executive Board, as well as the targets relating to the composition of the Supervisory Board and the competence profile for the Supervisory Board.

freenet AG made the following Corporate Governance Statement in accordance with sections 289f, 315d HGB which is simultaneously a part of its management report for the financial year 2021.

* 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 is not required and which therefore is not audited.

STATEMENT ON THE GERMAN CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The Executive Board and the Supervisory Board issued the following Declaration of Compliance in accordance with section 161 AktG.

Since submitting the last Declaration of Compliance on 9 December 2020, freenet AG has complied with the recommendations of the German Corporate Governance Code ("Code") as amended on 19 December 2019, announced on 20 March 2020 ("Code"), with the exception of the deviations listed below, and will comply with the Code in future, with exception of these deviations:

1. Age limit for Executive Board and Supervisory Board members

   a) Recommendations B.5 and C.2:

      B.5: An age limit shall be specified for members of the Executive Board and disclosed in the Corporate Governance Statement.

      C.2: An age limit shall be specified for members of the Supervisory Board and disclosed in the Corporate Governance Statement.

   b) Statement of non-compliance:

      Until 9 December 2021, the Supervisory Board had not set any age limits for the Supervisory Board and Executive Board due to its opinion that qualified persons with extensive professional and life experience should not be considered as candidates solely on the basis of their age. In a departure from this view, the Supervisory Board has set age limits for both the Supervisory Board and the Executive Board since that date.

2. Other seats held by members of the Executive Board

   a) Recommendation C.5:

      Members of the Executive Board of a listed company shall not hold, in aggregate, more than two Supervisory Board seats in non-group listed companies or comparable functions, and shall not accept the chairmanship of a Supervisory Board in a non-group listed company.

   b) Statement of non-compliance:

      The chairman of the Executive Board, Christoph Vilanek, currently is a member of two Supervisory Boards of listed companies: CECONOMY AG, Düsseldorf, and Ströer SE & Co KGaA, Cologne, where he is also chairman of the Supervisory Board. freenet AG holds an equity interest in CECONOMY AG. freenet AG therefore has an interest in being represented on the Supervisory Board of CECONOMY AG to reflect its importance for the company.

      The Supervisory Board, through the personnel committee of the Supervisory Board, has approved all of Christoph Vilanek's seats and considers the time required for the external memberships to be reasonable compared with the experience gained by the chairman of the Executive Board. This also applies to his post as chairman of Ströer SE & Co KGaA.

REMUNERATION REPORT, AUDITOR'S REPORT, REMUNERATION SYSTEM AND MOST RECENT RESOLUTION CONCERNING REMUNERATION

On the company's website under Remuneration you will find the remuneration report pursuant to Section 162 AktG for financial year 2021, the auditor's report on this remuneration report, the applicable remuneration system pursuant to Section 87a AktG, and information on the most recent resolution concerning remuneration adopted by the Annual General Meeting pursuant to Section 113 (3) Stock AktG.

RELEVANT DISCLOSURES ON CORPORATE GOVERNMENT PRACTICES

freenet AG has a compliance system that is continuously expanded and enhanced. The freenet Group's Chief Compliance Officer (CCO) reports directly to the Executive Board. He helps the Executive Board to highlight the legal requirements that are relevant for freenet AG and to implement them accordingly within the freenet Group, as well as to adapt the compliance system to changing requirements. In addition, current developments are regularly assessed on the Governance Board by the CFO together with the Chief Compliance Officer and the Head of Audit and Fraud Management and measures are derived, if necessary. The CCO also reports regularly to the Supervisory Board's audit committee. The CCO informs the Supervisory Board whenever risks arise which endanger the continued existence of the freenet Group.

The freenet Group is fully committed to upholding the prevailing laws and statutes. For the freenet Group, compliance means that statutory provisions are adhered to, the Group's own rules and in-house policies are observed and criminal acts are prevented. The company does everything it can to ensure that compliance violations, such as fraud, corruption, anti-competition practices and data privacy violations do not arise in the first place. As soon as misconduct and infringements of compliance become evident, these are brought to light and tackled decisively.

The freenet Group's managers set a good example in upholding compliance and ensure that any significant steps taken within their own fields of responsibility are in accordance with the respective statutory provisions and its own values and rules.

The compliance organisation can be approached by any contact person for advice on individual issues.

The compliance unit has developed a whistleblower tool and implemented it within the freenet Group. It enables internal whistleblowers, franchise partners or suppliers to give tip-offs anonymously as soon as infringements of compliance come to their attention.

All tip-offs are investigated promptly as part of a transparent and accountable process in which the interests of the whistleblower, the persons affected and the company are taken into account.

The aim is to enable the company to take systematic and appropriate action immediately when compliance is violated and thereby to avert economic or reputational damage to the freenet Group and the affected stakeholders. In order to ensure the proper, swift handling of tip-offs in accordance with the whistleblower process, the freenet Group has set up a whistleblower committee. Permanent members of the whistleblower committee are the Chief Compliance Officer as well as the responsible head of Internal Auditing and the head of Fraud Management. The whistleblower committee is responsible for the operational implementation of the whistleblower process.

A centralised fraud management unit has also been set up, which in coordination with the individual fraud management functions in the specialist departments of the freenet Group, is responsible in particular for the introduction and improvement of effective preventive measures and processes for preventing damage to the freenet Group caused by fraud, and for investigating fraud.

The significance of data protection has increased continuously in recent years. The freenet Group is aware of its special responsibility with regard to the handling of the personal data of customers, suppliers, contractual partners and employees, especially given the General Data Protection Regulation (GDPR) and special regulations applying in the telecommunications sector. It is therefore important to protect this data against unauthorised access. For this reason, the Group uses modern security technologies and regularly draws the attention of its employees to this subject in order to continuously improve the overall security level and to meet the challenges posed by the growing threats.

WORKING PRACTICES OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

freenet AG's Executive Board and Supervisory Board work together in a close and trusting manner in their management and supervision of the company.

It is the duty of the Executive Board, as the parent company's management body, to serve the interests of the company. It currently consists of five members. The Executive Board's work is governed by its rules of procedure. The members of the Executive Board are jointly responsible for corporate management as a whole. In other respects, each Executive Board member is responsible for their own sphere of business. The Executive Board members work together in a spirit of cooperation and inform one another about facts and developments in their respective spheres of business at regular Executive Board meetings. In addition, the Executive Board members attend regular meetings of the specialist departments. The Supervisory Board determines the areas of responsibility of the individual members of the Management Board in a schedule of responsibilities.

The Supervisory Board is convened at least twice in each calendar half-year. It generally makes its decisions at in-person or virtual meetings, but also by way of telephone conferences or by written communications. The Supervisory Board regularly advises the Executive Board when the latter is making its decisions about the company's management and also supervises its management activities. In so doing, the Executive Board includes the Supervisory Board in all decisions of a fundamental nature relating to the company's management and reports regularly about the business performance, the corporate planning, the strategic development and the situation of the company. The Supervisory Board in turn conducts a detailed examination of all deviations of business performance from the plans and targets and discusses these with the Executive Board. It also conducts detailed checks on business transactions of significance for the company on the basis of Executive Board reports, discusses them and makes decisions as and when required. Outside of the meetings, too, the Supervisory Board members were informed by the Executive Board about current business developments.

COMPOSITION AND WORKING PRACTICES OF COMMITTEES

The Supervisory Board has set up five committees. These committees prepare the topics and resolutions of the Supervisory Board which are due to be discussed by the full Board and in some individual areas are authorised to make decisions in place of the full Board. The committees carry out their work in meetings requiring personal attendance. In exceptional cases, however, the meetings can also be conducted by telephone. The committees discuss the items on their agendas and make decisions concerning these if required. The committee chairpersons report on the subject matter of the committee meetings to the full Supervisory Board. With the exception of the nomination committee, all committees comprise equal numbers of shareholders' representatives and employees' representatives.

The Executive Board has not constituted any committees.

Steering committee

The steering committee discusses focal topics and prepares Supervisory Board resolutions. It can take the place of the Supervisory Board, with the required approval of the Executive Board in accordance with the latter's rules of procedure, in deciding on measures and transactions of the Executive Board, insofar as the matter in question cannot be deferred and it is not possible for the Supervisory Board to make an appropriate decision within the time available.

Members: Prof. Dr Helmut Thoma (chairman), Thorsten Kraemer, Gerhard Huck, Knut Mackeprang

Personnel committee

The personnel committee prepares the Supervisory Board's personnel decisions. It submits to the Supervisory Board proposals for decisions on the Executive Board's remuneration, the remuneration system and regular review of that system. The committee makes decisions in place of the Supervisory Board – but subject to mandatory responsibilities of the Supervisory Board – on Executive Board members' business that is relevant for personnel.

Members: Prof. Dr Helmut Thoma (chairman), Sabine Christiansen, Claudia Anderleit, Knut Mackeprang

Audit committee

The audit committee concerns itself with the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system and the internal auditing system, and auditing of financial statements, in the latter case especially with regard to the choice of auditor and their independence and the additional services rendered by the auditor, the awarding of the audit engagement to the auditor, the determination of key audit matters and the fee agreement. It is also responsible for approving the permissible non-audit services to be rendered by the auditor. It also concerns itself with compliance-related issues and non-financial reporting/ESG.

Members: Robert Weidinger (chairman), Marc Tüngler, Bente Brandt, Thomas Reimann

Mediation committee

The mediation committee is constituted in accordance with section 27 (3) of the German Co-determination Act (Mitbestimmungsgesetz–MitbestG) so that it can perform the task described in section 31 (3) sentence 1 MitbestG.

Members: Prof. Dr Helmut Thoma (chairman), Fränzi Kühne, Theo-Benneke Bretsch, Knut Mackeprang

Nomination committee

The nomination committee has the task of suggesting suitable candidates to the Supervisory Board for proposal to the Annual General Meeting in the run-up to new elections.

Members: Prof. Dr Helmut Thoma (chairman), Marc Tüngler, Sabine Christiansen

TARGETS FOR THE PERCENTAGE OF WOMEN IN THE EXECUTIVE BOARD AND IN THE TWO MANAGEMENT TIERS BELOW THE LEVEL OF THE EXECUTIVE BOARD; DISCLOSURES ON COMPLIANCE WITH MINIMUM PERCENTAGES OF WOMEN ON THE SUPERVISORY BOARD

Executive Board

As of 31 December 2021, there were no women on the Executive Board, only men. Although this covers the 0 percent target for the Executive Board stipulated by the Supervisory Board for this point in time, the company will comply with the mandatory gender quota for the Executive Board next time it appoints a new member or extends the appointment of an existing member of the Executive Board. This mandatory quota states that, where the Executive Board consists of more than three people, at least one of its members must be a woman and at least one must be a man.

Management tiers below the level of the Executive Board

The targets to be achieved in the reference period by 31 December 2021 for the percentage of women on the two management tiers below the level of the Executive Board as defined by the Executive Board were achieved as follows:

Target-actual comparison for share of women, 2021

in %	Target for 31.12.2021	As of 31.12.2021
Management tier 1 (division managers)	30	14.3 (1 persons)
Management tier 2 (department managers)	30	35 (7 persons)

Although we were able to meet the target at the second management tier, we missed the target at the first management tier as of 31 December 2021. The low number of people at this management tier must be taken into account here, as this means the departure of any single individual from the company can cause significant proportional changes. In this specific case, although the decline in the share of women at this management tier as part of normal staff turnover due to the departure of female executives could not be rectified by the reporting date, the share of women at the first management tier had already risen to 28.6 percent, or two out of seven people, just a month later.

The Executive Board has defined the following targets for the period until 31 December 2026 with regard to the percentage of women on the Executive Board and on the two management tiers below the level of the Executive Board:

Target for share of women, 2026

in %	Target for 31 December 2026
Management tier 1 (division managers)	25% or at least 2 persons
Management tier 2 (department managers)	30% or at least 6 persons

Supervisory Board

In the period under review, the percentages of men and women on the Supervisory Board complied with the legal requirement of a minimum percentage of 30 percent.

DISCLOSURES ON THE DIVERSITY POLICY FOR THE SUPERVISORY BOARD AND EXECUTIVE BOARD

Targets for the composition, competence profile and diversity policy of the Supervisory Board

The Supervisory Board set the following targets for its composition and competence profile:

"The composition of the Supervisory Board should ensure that the Supervisory Board can provide the Executive Board with qualified supervision and advice. With this in mind, it is helpful to have a complementary mix of members from different personal and professional backgrounds, ages and genders."

Competence profile

The candidates proposed for election to the Supervisory Board should be able to use their knowledge, competences and experience to fulfil the role of a Supervisory Board member in a listed company and maintain the public reputation of the freenet Group. As a result, particular attention should be paid to the personality, integrity, commitment and professionalism of the individuals proposed for election.

Members of the Supervisory Board should be collectively familiar with the sector in which the company operates. The Supervisory Board should therefore contain knowledge and experience of freenet's key business areas, most notably telecommunications, TV and media.

In addition, all knowledge and experience considered to be essential to the freenet Group's activities should be represented on the Supervisory Board as a whole. This includes knowledge and experience in the areas of information technology, digitalisation with a focus on artificial intelligence and big data, marketing, sales and retail, purchasing and supply chain, customer service and management, law and regulation, compliance, data protection and security, human resources and sustainability as well as corporate communications and external and political relations.

At least one member of the Supervisory Board must have accounting expertise, while at least one further member must have expert knowledge of the auditing of financial statements. In particular, the Supervisory Board should also contain individuals with experience of leading a company of a similar size to the freenet Group by holding a senior position or serving as a member of a Supervisory Board or comparable body. When preparing to appoint a new member, it is important to check which areas of desirable knowledge need to be strengthened on the Supervisory Board.

Diversity

Care should be taken to ensure sufficient diversity in the composition of the Supervisory Board. In addition to the appropriate representation of women, this also includes diversity with regard to cultural origin as well as differences in educational and professional background, experience and ways of thinking. When reviewing potential candidates to replace or newly appoint Supervisory Board positions as they become vacant, diversity should be considered appropriately at an early stage in the selection process. According to the Stock Corporation Act (AktG), at least 30 percent of the Supervisory Board's members must be female and at least 30 percent should be male. The Supervisory Board naturally strives to ensure the equal participation of women and men in accordance with legal requirements when determining its composition.

Independence

The Supervisory Board should consist of an appropriate number of independent members. Material conflicts of interest and those that are more than temporary in nature, such as those arising from positions on executive bodies or consulting roles with key competitors, are to be avoided. Based on the premise that the independence of employee representatives is defined fundamentally differently in various ways, employee representatives should be disregarded when considering the appropriateness of the number of independent Supervisory Board members. As a result, the Supervisory Board as a whole should include at least four employee representatives who are independent in accordance with the German Corporate Governance Code. No more than two former members of the Executive Board of freenet AG may hold seats on the Supervisory Board. Former members of the Executive Board should be elected to the Supervisory Board no earlier than two years after the end of their appointment.

Availability

Supervisory Board members should have sufficient time to fulfil their mandate to ensure that they can do so with due regularity and care.

Age limit and length of service

In accordance with the age limit set out by the Supervisory Board in its rules of procedure, only individuals up to the age of 70 should generally be proposed for election as members of the Supervisory Board. When an individual is nominated, the nomination should take into account the maximum length of service on the Supervisory Board of 12 years as defined by the Supervisory Board. It is considered helpful for different age groups to be represented on the Supervisory Board.

Implementing the targets for the composition of the Supervisory Board, including competence profile and diversity policy; independent members of the Supervisory Board

The Supervisory Board and the nomination committee of the Supervisory Board incorporate the composition targets and the requirements set out in the diversity policy when carrying out the selection process and nominating candidates for the Supervisory Board. Most recently, the Supervisory Board intended to take these targets, including the competence profile, into account when proposing candidates for shareholder representative to the 2022 Annual General Meeting. To allow these competences to be assessed and compared against the targets, the candidates' CVs will be published on freenet AG's website ahead of the Annual General Meeting.

The current composition of the Supervisory Board meets the composition targets and fulfils the competence profile and diversity policy. The members of the Supervisory Board have the professional and personal qualifications considered necessary. They are collectively familiar with the sector in which the company operates and have knowledge, competences and experience that is vital for the freenet Group. The Supervisory Board gives appropriate consideration to diversity. During the 2021 financial year, the Supervisory Board had four female members: two shareholder representatives and two further members on the employer's side. This means the share of women on the Supervisory Board is 33 percent. The Supervisory Board also has an appropriate number of independent members. According to the Supervisory Board's assessment, all six shareholder representatives are currently independent in accordance with the German Corporate Governance Code. The age limit and maximum length of service on the Supervisory Board of 12 years at the time of election will be taken into account from the 2022 Annual General Meeting.

Members of the Supervisory Board evaluate compliance with the competence profile based on a self-assessment relating to the individual members and the Supervisory Board as a whole.

Targets for the composition, diversity policy and long-term succession planning of the Executive Board
Targets for the composition of the Executive Board are partly derived from the mandatory gender quota, which states that the Executive Board must contain at least one woman and at least one man if it consists of more than three people. This provision will be observed from the next new appointment or extension of the existing appointment of an Executive Board member. The Supervisory Board also stipulated the age limit for Executive Board members of 63 years old at the time of their appointment. When selecting individuals for the Executive Board, the Supervisory Board ensures that the Executive Board has all of the knowledge and experience deemed essential for the activities of freenet AG. It is not currently necessary for the company to follow any other fundamental requirements concerning the composition of the Executive Board as part of a formalised diversity policy.

The personnel committee of the Supervisory Board, which is responsible for making preparations for Executive Board appointments, also oversees long-term succession planning for the Executive Board. This is done regularly when making new appointments or extending existing Executive Board appointments. The committee regularly reviews whether there is reason to give particular consideration to long-term succession planning and consults the chairman of the Executive Board as required. The chairman of the Supervisory Board also communicates regularly with the chairman of the Executive Board about succession options in good time prior to the expiration of Executive Board appointments.

SELF-ASSESSMENT OF THE SUPERVISORY BOARD

The Supervisory Board and its committees regularly review the overall effectiveness of the Supervisory Board and how effectively its committees perform their tasks, either internally or with the involvement of external advisers. The Supervisory Board carried out the most recent self-assessment with external support in financial year 2020. No fundamental need for change was identified.

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 128,061,016 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 at 31 December 2021.

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 27 May 2020, the Executive Board was authorised, until 26 May 2026, 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.

On the basis of this authorisation, freenet AG repurchased own shares under two share buyback programmes (SBP 2020 and SBP 2021). During SBP 2020, freenet AG repurchased a total of 2,956,232 treasury shares, corresponding to 2.308 percent of its share capital, at an average price of 17.3851 euros in the period from 1 September 2020 to 28 December 2020. The aggregated volume of the repurchased shares excluding ancillary costs was 51,394,430.48 euros. Under SBP 2021, the company repurchased a further 4.336 percent of its share capital (5,552,664 own shares) at an average price of 20.3659 euros in the period from 25 February 2021 to 28 December 2021. The aggregated volume of the repurchased shares excluding ancillary costs was 113,084,981.77 euros. As a result, freenet AG acquired a total of 6.644 percent of its own shares under the two share buyback programmes. The shares are to be retired.

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.

Büdelsdorf, 3 March 2022

freenet AG

The Executive Board

Christoph Vilanek　Ingo Arnold　Stephan Esch　Antonius Fromme　Rickmann v. Platen

Consolidated financial statements of freenet AG

from 1 January to 31 December 2021

CONSOLIDATED INCOME STATEMENT

1 January to 31 December 2021

In EUR '000s/as indicated	Note	2021	2020
Revenue	**4**	**2,556,320**	**2,576,230**
Other operating income	5	42,006	52,758
Other own work capitalised	6	22,865	22,120
Cost of materials	7	– 1,702,898	– 1,714,171
Personnel expenses	8	– 219,416	– 229,587
Other operating expenses	10	– 251,552	– 281,472
thereof loss allowances on financial assets and contract assets		– 14,119	– 33,822
thereof without loss allowances on financial assets and contract assets		– 237,433	– 247,650
EBITDA [1]		**447,325**	**425,878**
Depreciation, amortisation and impairment	9	– 197,286	– 162,897
EBIT [2]		**250,039**	**262,981**
Profit or loss of equity-accounted investments	17	– 2,006	– 428
Interest and similar income	11	2,270	2,447
Interest and similar expenses	12	– 30,733	– 47,633
Other financial result	12	– 1,506	138
Financial result		**– 31,975**	**– 45,476**
EBT		**218,064**	**217,505**
Income taxes	13	– 26,860	– 26,996
Consolidated profit from continuing operations		191,204	190,509
Consolidated profit from discontinued operations, attributable to shareholders of freenet AG		0	370,501
Consolidated profit		**191,204**	**561,010**
Attribution of consolidated profit/loss:			
Consolidated profit attributable to shareholders of freenet AG	24	198,167	565,835
Consolidated profit attributable to non-controlling interests	24	– 6,963	– 4,825
Earnings per share in EUR (basic/diluted)	**14.1, 14.2**	**1.62**	**4.44**
Earnings per share from continuing operations in EUR (basic/diluted)		1.62	1.53
Earnings per share from discontinued operations in EUR (basic/diluted)		0	2.91
Weighted average number of shares outstanding in thousands (basic/diluted)	24.3	122,406	127,465

[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 2021

In EUR ’000s/as indicated	Note	2021	2020
Consolidated profit		**191,204**	**561,010**
Currency translation differences		111	– 287
Currency translation differences from subsequent accounting for equity-accounted investments		0	1,103
Reclassification amounts from currency translation differences from subsequent accounting for equity-accounted investments		0	4,508
Income tax recognised in other comprehensive income		0	– 84
Other comprehensive income/to be reclassified to the income statement in future periods		**111**	**5,240**
Change in fair value of investments in equity instruments		– 51,563	9,578
Recognition of actuarial gains and losses arising from the accounting for pension plans acc. to IAS 19 (2011)	29	5,416	– 6,031
Other shares of the profit or loss of equity-accounted investments		0	– 739
Income tax recognised in other comprehensive income		– 856	1,698
Other comprehensive income/not to be reclassified to the income statement in future periods		**– 47,003**	**4,506**
Other comprehensive income		**– 46,892**	**9,746**
Consolidated total comprehensive income		**144,312**	**570,756**
Attribution of consolidated total comprehensive income:			
Consolidated total comprehensive income attributable to shareholders of freenet AG		151,275	575,581
Consolidated total comprehensive income attributable to non-controlling interests		– 6,963	– 4,825

CONSOLIDATED BALANCE SHEET

31 December 2021

ASSETS

In EUR '000s	Note	31.12.2021	31.12.2020
Non-current assets			
Intangible assets	15, 16, 37	458,911	494,722
Lease assets	2.5	401,423	441,342
Goodwill	15, 16	1,382,394	1,382,394
Property, plant and equipment	15, 16, 37	124,349	140,475
Equity-accounted investments	17	100	2,088
Deferred income tax assets	18	134,229	129,440
Trade accounts receivable	21	56,895	63,678
Other receivables and other assets	21	95,094	107,015
Other financial assets	21	201,776	270,400
Contract acquisition costs	19	251,053	289,335
		3,106,224	**3,320,889**
Current assets			
Inventories	20	92,668	74,751
Current income tax assets	23	293	2,103
Trade accounts receivable	21	245,591	189,262
Other receivables and other assets	21	173,426	203,033
Other financial assets	21	47,936	48,729
Liquid assets	22	286,287	666,867
		846,201	**1,184,745**
Total assets		**3,952,425**	**4,505,634**

EQUITY AND LIABILITIES

In EUR ’000s	Note	31.12.2021	31.12.2020 restated
Equity			
Share capital	24.1	128,061	128,061
Capital reserve	24.2	737,536	737,536
Own shares	24.3	– 164,562	– 51,420
Cumulative other comprehensive income	24.4	– 122,410	– 75,518
Consolidated net retained profits	24.5	1,064,475	1,081,861
Equity attributable to shareholders of freenet AG		**1,643,100**	**1,820,520**
Non-controlling interests in equity	24.6	– 4,185	559
		1,638,915	**1,821,079**
Non-current liabilities			
Lease liabilities	2.5, 28	395,554	451,452
Other liabilities and deferrals	26	110,172	108,790
Other financial liabilities	26	23,832	36,941
Borrowings	28	505,786	734,826
Pension provisions	29	96,265	103,508
Other provisions	30	49,666	43,718
		1,181,275	**1,479,235**
Current liabilities			
Lease liabilities	2.5, 28	85,332	85,209
Trade accounts payable	26	338,785	351,656
Liabilities to payment service providers related to trade accounts payable	26	0	27,667
Other liabilities and deferrals	26	418,334	404,847
Other financial liabilities	26	64,045	63,438
Current income tax liabilities	27	34,808	38,943
Borrowings	28	143,619	206,001
Other provisions	30	47,312	27,559
		1,132,235	**1,205,320**
Total equity and liabilities		**3,952,425**	**4,505,634**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 January to 31 December 2020

In EUR '000s	Share capital	Capital reserve	Own shares	Currency translation differences	Currency translation differences from subsequent accounting for equity-accounted investments	Change in fair value of investments in equity instruments
As of 1.1.2020	**128,061**	**737,536**	**0**	**966**	**– 5,527**	**– 52,304**
Dividend payment	0	0	0	0	0	0
Changes due to the measurement of leases	0	0	0	0	0	0
Recognition of option liabilities	0	0	0	0	0	0
Acquisition of further interests in subsidiaries	0	0	0	0	0	0
Purchase of own shares	0	0	– 51,420	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	0	9,431
Other shares of the profit or loss of equity-accounted investments[1]	0	0	0	0	0	0
Reclassification of other shares of the profit or loss of equity-accounted investments due to deconsolidation	0	0	0	0	0	0
Recognition of actuarial gains and losses acc. to IAS 19 (2011)[1]	0	0	0	0	0	0
Foreign currency translation[1]	0	0	0	– 287	0	0
Foreign currency translation from subsequent accounting for equity-accounted investments[1]	0	0	0	0	5,527	0
Subtotal: Consolidated total comprehensive income	0	0	0	– 287	5,527	9,431
Stand 31.12.2020	**128,061**	**737,536**	**– 51,420**	**679**	**0**	**– 42,873**

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

	Cumulative other comprehensive income					
	Revaluation reserve in accordance with IAS 19	Other shares of the profit or loss of equity-accounted investments	Consolidated net retained profits	Equity attributable to shareholders of freenet AG	Non-controlling interests in equity	Equity
	– 29,127	**11,710**	**521,031**	**1,312,346**	**9,255**	**1,321,601**
	0	0	– 5,120	– 5,120	0	– 5,120
	0	0	– 47	– 47	0	– 47
	0	0	– 14,691	– 14,691	0	– 14,691
	0	0	– 3,871	– 3,871	– 3,871	0
	0	0	0	– 51,420	0	– 51,420
	0	0	565,835	565,835	– 4,825	561,010
	0	0	0	9,431	0	9,431
	0	– 728	0	– 728	0	– 728
	0	– 10,982	10,982	0	0	0
	– 4,197	0	0	– 4,197	0	– 4,197
	0	0	0	– 287	0	– 287
	0	0	0	5,527	0	5,527
	– 4,197	– 11,710	576,817	575,581	– 4,825	570,756
	– 33,324	**0**	**1,081,861**	**1,820,520**	**559**	**1,821,079**

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: Change in fair value of investments in equity instruments
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.

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
1,081,861	**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 CASH FLOWS

1 January to 31 Dezember 2021

In EUR '000s/as indicated	Note	2021	2020
Earnings before financial result and taxes from continuing operations (EBIT)		**250,039**	**262,981**
Earnings before financial result and taxes from discontinued operations		0	351,042
Earnings before interest and taxes from continuing and discontinued operations		**250,039**	**614,023**
Adjustments:			
Depreciation, amortisation and impairment of non-current assets	9	197,286	162,897
Dividends received from equity-accounted investments	17	0	46,047
Payments for transaction costs relating to the sale of equity-accounted investments		0	– 10,571
Gains on the sale of equity-accounted investments	17	0	– 351,042
Gains on the sale of subsidiaries		0	– 1,527
Gain/loss on disposal of non-current assets		362	862
Increase in net working capital not attributable to investing or financing activities	20, 21, 26, 29, 30	– 66,383	– 52,766
Proceeds from the cash repayment of financial assets under leases		15,110	14,732
Capitalisation of contract acquisition costs	19	– 254,887	– 309,532
Amortisation of contract acquisition costs	19	293,169	317,437
Tax payments	13, 18	– 35,048	– 28,033
Income from interest and other financial result	11, 12	582	1,832
Interest paid	11, 12	– 33,018	– 47,302
Cash flows from operating activities	32.1	**367,212**	**357,057**
Payments to acquire property, plant and equipment and intangible assets		– 48,226	– 49,881
Proceeds from disposal of intangible assets and property, plant and equipment		3,079	3,657
Payments to acquire subsidiaries		0	– 25
Addition of liquid assets from initial consolidation		21	0
Payments from deconsolidation of subsidiaries		2,000	– 3,923
Proceeds (–)/proceeds (+) from sale of companies accounted for using the equity method		450	1,125,238
Return of capital contributions from companies accounted for using the equity method		1,000	250
Payments into equity of equity-accounted investments	17	– 1,900	0
Payments to acquire other equity investments		– 549	– 1,113
Cash flows from investing activities	32.2	**– 44,125**	**1,074,203**
Payments to company owners and minority shareholders		– 203,734	– 5,120
Payments for the purchase of own shares		– 113,142	– 51,420
Payments for the acquisition of minority interests		– 9,600	– 3,871
Proceeds from borrowings	28	0	342,905
Cash repayments of borrowings	28	– 289,500	– 1,096,500
Cash repayments of lease liabilities	26	– 87,691	– 84,079
Cash flows from financing activities	32.3	**– 703,667**	**– 898,085**
Net change in cash funds		**– 380,580**	**533,175**
Cash funds at beginning of period		666,867	133,692
Cash funds at end of period		286,287	666,867

Composition of cash funds

In EUR '000s	31.12.2021	31.12.2020
Liquid assets	286,287	666,867
Cash funds	**286,287**	**666,867**

Composition of free cash flow[1]

In EUR '000s	31.12.2021	31.12.2020
Cash flows from operating activities	367,212	357,057
Adjusted for payments for transaction costs relating to the sale of equity-accounted investments	0	10,571
Payments to acquire property, plant and equipment and intangible assets	– 48,226	– 49,881
Proceeds from disposal of intangible assets and property, plant and equipment	3,079	3,657
Cash repayments of lease liabilities	– 87,691	– 84,079
Free cash flow	**234,374**	**237,325**

[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 FINANCIAL YEAR 2021

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 financial year 2021 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 at 31 December 2021. 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 2021 and their respective effects on the Group:

Standard/Interpretation		Effective date	Adopted by the EU Commission	Effects
IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2)	1.1.2021	13.01.2021	No material effects
IFRS 16	Amendments to IFRS 16 Leases – Covid-19-Related Rent Concessions	1.1.2021	30.08.2021	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 2021 financial year and their respective effects on the Group:

Standard/Interpretation		Effective date	Adopted by the EU Commission	Effects
IFRS 17	Insurance Contracts	1.1.2023	19.11.2021	None

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. freenet AG has reviewed its joint arrangements and identified them as 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, mobilcom-debitel Shop GmbH, Stanniol GmbH für IT & PR, Gravis – Computervertriebsgesellschaft mbH („GRAVIS“), freenet Energy GmbH, callmobile GmbH, freenet Shopping GmbH, mobilcom-debitel Logistik GmbH, Taunus Beteiligungs GmbH, Media Broadcast GmbH, Media Broadcast 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 2021.

In financial year 2021, audio.digital NRW GmbH, Cologne was added to the basis of consolidation. This is an immaterial entity. Jestoro GmbH, Hamburg ceased to be included in the basis of consolidation in financial year 2021.

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 generally been applied consistently to the previous year, with the exception of the changes described in note 2.17, Comparative figures.

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.

Trademarks with a significant carrying amount are assets with an indefinite useful life that are not amortised but tested for impairment annually or whenever there are indications of impairment. The indefinite useful life was chosen if no constant reduction of value is discernible in relation to this asset and no limitation of the useful life had to be considered in terms of time either.

The other trademarks, on the other hand, have definable terms. These trademarks are carried at their historical cost and are amortised on a straight-line basis over their anticipated useful lives of 60 to 180 months. On the balance sheet date of 31 December 2021, the remaining useful life of these trademarks was 110 months.

Licences, software and right-of-use 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 2021, the remaining useful life of the customer relationships recognised was between 84 and 204 months.

Distribution rights are amortised on a straight-line basis over the expected duration of the underlying agreements (12 months). On the balance sheet date of 31 December 2021, the remaining useful life of the distribution rights recognised was nine 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 25 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 to10 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	31.12.2021	31.12.2020
Right-of-use assets, site leases	202.1	226.2
Right-of-use assets, shops/stores [1]	104.4	104.8
Right-of-use assets, co-location leases	69.9	79.5
Right-of-use assets, network infrastructure	18.2	21.6
Right-of-use assets, motor vehicles	2.1	1.8
Right-of-use assets, other	4.7	7.4
Total	**401.4**	**441.3**

[1] As of 31 December 2021, this item includes operations leases from subleasing of shop spaces to franchise partners in the amount of 30,8 million euros (31 December 2020: 31,7 million euros).

Additions to lease assets are reported at 48.4 million euros in the 2021 financial year (31 December 2020: 92.8 million euros). In the year under review, depreciation of right-of-use assets is broken down as follows:

In EUR millions	2021	2020
Site leases	31.8	34.9
Shops/stores	20.7	21.0
Co-location leases	11.1	10.9
Network infrastructure	3.6	3.4
Motor vehicles	1.0	1.0
Other	4.8	5.4
Total	**73.0**	**76.6**

Other operating expenses include expenses relating to short-term leases (31 December 2021: 0.4 million euros, 31 December 2020: 0.6 million euros) and expenses relating to leases of low-value assets (31 December 2021: 0.1 million euros; 31 December 2020: 0.3 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 10.2 million euros in the reporting period (31 December 2020: 12.3 million euros). We provide the following breakdown of the maturities of the lease liabilities as of 31 December 2021 and 31 December 2020:

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

In EUR millions	31.12.2020
1 year or less	85.2
More than 1 year up to and including 5 years	297.6
More than 5 years	153.9
Total	**536.7**

In financial year 2021, total cash outflows for leases amounted to 98.4 million euros (31 December 2020: 97.2 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 regulations regarding the recognition of assets at the lessor remain virtually unchanged. 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 2021: 55.4 million euros; 31 December 2020: 70.0 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 1.4 million euros in financial year 2021 (previous year: 1.6 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 2021 and 31 December 2020:

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**

In EUR millions	31.12.2020
2021	16.2
2022	14.5
2023	12.8
2024	11.8
2025	12.0
2026 ff.	6.8
Future (undiscounted) cash inflows	**74.1**
Unearned interest income	– 4.1
Receivables from finance leases	**70.0**

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 6.1 million euros is shown in other operating income in the 2021 financial year (previous year: 6.2 million euros).

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

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

In EUR millions	31.12.2020
2021	5.5
2022	3.6
2023	2.1
2024	1.1
2025	0.5
2026 ff.	0.3
Future (undiscounted) cash inflows	**13.1**

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 lease receivables, 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 financial year 2021 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 pension provision shown in the balance sheet 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. 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.

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. A discount rate of 0 and a salary raise of 2.25 percent p.a. have been used as the basis for measuring the semi-retirement obligations. No consideration has been given to any potential in this respect. 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 financial year 2021, 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 objectives for the financial year in question have been attained, credit or debit entries are made in the accounts in the form of virtual shares. Then, within a predetermined period of time, 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 relevant 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 2021: 1,382.4 million euros; previous year: 1,382.4 million euros) as well as impairments of intangible assets with an indefinite useful life (carrying amount as of 31 December 2021: 293.2 million euros, previous year: 293.2 million euros), please refer to note 16.

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 659 million euros if the weighted average cost of capital (WACC) were to be increased by 0.5 percentage points and would increase by approximately 865 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 1,155 million euros (if the WACC simultaneously were to be increased by 0.5 percentage points) or increase by 1,520 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 91 million euros if the WACC were to be increased by 0.5 percentage points and would increase by approximately 114 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 172 million euros (if the WACC simultaneously were to be increased by 0.5 percentage points) or increase by 219 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 7 million euros if the WACC were to be increased by 0.5 percentage points and would increase by approximately 8 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 14 million euros (if the WACC simultaneously were to be increased by 0.5 percentage points) or increase by 16 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.

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 at 31 December 2021, 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 16,491 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 21,261 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. 18.7 million euros or decrease by approx. 18.7 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

In December 2020, the IFRIC issued an agenda decision addressing several considerations around accounting for reverse factoring arrangements. In light of this and in order to increase transparency in presentation, the level of detail in presenting trade accounts payable was increased for the first time in the 2021 consolidated financial statements by retrospectively presenting liabilities to payment service providers separately in the line item “Liabilities to payment service providers related to trade accounts payable”.

Please refer to the explanations in note 26, Trade accounts payable, other liabilities and deferrals and other financial liabilities, liabilities to payment service providers related to trade accounts payable.

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 financial year 2021:

- 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
  - 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 44.8 million euros (previous year: 53.7 million euros) reported for the “Other/Holding” segment in 2021 is attributable to operating activities (45.5 million euros; previous year: 54.5 million euros) and other business activities (–0.7 million euros; previous year: –0.8 million euros). Of the segment revenue generated by operating activities in 2020, 11.8 million euros was attributable to the freenet digital Group entities sold in 2020. Of the figure of 26.7 million euros (previous year: 42.2 million euros) reported for gross profit for 2021 for the “Other/Holding” segment, 27.5 million euros (previous year: 43.3 million euros) is attributable to the operating activities and –0.8 million euros (previous year: –1.1 million euros) is attributable to the other business activities. Of the gross profit generated by operating activities in 2020, 12.6 million euros was attributable to the freenet digital Group entities sold in 2020. The EBITDA of –14.5 million euros (previous year: –8.6 million euros) reported for the “Other/Holding” segment for 2021 was accounted for by operating activities to the extent of 13.5 million euros (previous year: 16.8 million euros) and by other business activities in the amount of –28.0 million euros (previous year: –25.4 million euros). Of the EBITDA generated by operating activities in 2020, 3.0 million euros was attributable to the freenet digital Group entities sold in 2020.

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 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/loss from continuing operations					**191,204**
Consolidated profit/loss from discontinued operations attributable to the shareholders of freenet AG					**0**
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 and share of profit or loss of equity-accounted investments.

Segment report for the period from 1 January to 31 December 2020

In EUR '000s	Mobile Communications	TV and Media	Other/ Holding	Elimination of inter-segment revenue and costs	Total
Third-party revenue	**2,289,304**	**249,091**	**37,835**	**0**	**2,576,230**
Inter-segment revenue	16,829	9,878	15,844	– 42,551	0
Total revenue	2,306,133	258,969	53,679	– 42,551	2,576,230
Cost of materials, third party	**– 1,628,522**	**– 74,908**	**– 10,741**	**0**	**– 1,714,171**
Inter-segment cost of materials	– 18,899	– 15,309	– 713	34,921	0
Total cost of materials	– 1,647,421	– 90,217	– 11,454	34,921	– 1,714,171
Segment gross profit	**658,712**	**168,752**	**42,225**	**– 7,630**	**862,059**
Other operating income	50,567	327	5,150	– 3,286	52,758
Other own work capitalised	13,790	6,061	2,269	0	22,120
Personnel expenses	– 133,341	– 59,139	– 37,107	0	– 229,587
Other operating expenses	– 234,907	– 36,301	– 21,180	10,916	– 281,472
thereof loss allowances on financial assets and contract assets	– 32,408	– 1,095	– 319	0	– 33,822
thereof without loss allowances on financial assets and contract assets	– 202,499	– 35,206	– 20,861	10,916	– 247,650
Overhead [1]	**– 303,891**	**– 89,052**	**– 50,868**	**7,630**	**– 436,181**
thereof inter-segment allocation	– 7,029	– 903	302	7,630	
Segment EBITDA	**354,821**	**79,700**	**– 8,643**	**0**	**425,878**
Depreciation, amortisation and impairment					– 162,897
EBIT					**262,981**
Financial result					– 45,476
Income taxes					– 26,996
Consolidated profit/loss from continuing operations					**190,509**
Consolidated profit/loss from discontinued operations attributable to the shareholders of freenet AG					**370,501**
Consolidated profit					**561,010**
Consolidated profit attributable to shareholders of freenet AG					565,835
Consolidated profit attributable to non-controlling interests					– 4,825
Net cash investments	**25,101**	**17,412**	**3,711**		**46,224**

[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 and share of profit or loss of equity-accounted investments.

4. REVENUE

A breakdown of the revenue of 2,556 million euros (previous year: 2,576 million euros) by segments is set out under note 3, Segment reporting.

Of the Mobile Communications segment's external revenue totalling 2,254 million euros in the 2021 financial year (previous year: 2,289 million euros), 1,651 million euros (previous year: 1,641 million euros) was attributable to revenue from services (of which 1,542 million euros (previous year: 1,522 million euros) is accounted for by postpaid, and 109 million euros (previous year: 119 million euros) by no-frills and prepaid), 500 million euros (previous year: 530 million euros) to revenue from hardware and 103 million euros (previous year: 118 million euros) to other revenue.

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

In financial year 2021, revenue in the amount of 32,881 thousand euros (previous year: 33,202 thousand euros) was recognised which had previously been reported in net contract liabilities to customers from contracts with customers as at 1 January 2021. Revenue totalling 17 thousand euros (previous year: 45 thousand euros) from performance obligations settled or partly settled in prior periods was recognised in the 2021 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 1,241.9 million euros (previous year: 1,223.3 million euros). The outstanding performance obligations relate to the following periods: 853.0 million euros to 2022, 360.2 million euros to 2023 and 28.7 million euros to 2024. 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	2021	2020
Costs of purchased goods	533,280	559,685
Costs of purchased services	1,169,618	1,154,486
Total	**1,702,898**	**1,714,171**

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 2021 financial year, contract acquisition costs of 293,169 thousand euros (previous year: 317,437 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 2021 relate almost exclusively to dealer commissions.

8. PERSONNEL EXPENSES

Personnel expenses are broken down as follows:

In EUR '000s	2021	2020
Wages and salaries	185,132	191,932
Social security and post-employment benefit costs	34,284	37,655
Total	**219,416**	**229,587**

An average of 3,834 persons were employed in the Group in the financial year 2021 (previous year: 4,050). At the end of the financial year, the Group employed 3,786 persons (previous year: 4,004). Of this figure, 27 (previous year: 29) were senior executives and 292 (previous year: 329) were apprentices or students of the vocational academy as of 31 December 2021.

The Group's employee incentive programmes triggered personnel expenses of 4,469 thousand euros as per IFRS 2 (previous year: 1,536 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 1,753 thousand euros for defined benefit plans (previous year: 2,121 thousand euros), see also note 29.

Personnel expenses include a figure of 14,249 thousand euros as the employer's social insurance contribution as costs of defined contribution benefit plans (previous year: 15,200 thousand euros).

Social security contributions of 3,389 thousand euros (previous year: 1,170 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	2021	2020
Depreciation of lease assets	72,986	76,565
Amortisation of intangible assets	52,722	55,878
Impairment of intangible assets	32,422	208
Depreciation of property, plant and equipment	28,754	29,767
Impairment of of property, plant and equipment	10,402	479
Total	**197,286**	**162,897**

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

Impairment of intangible assets relates 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 financial 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.

Impairment of property, plant and equipment relates 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 internally generated software no longer in use and impairment of property, plant and equipment to part of the administrative building at the Büdelsdorf site, which could not be used due to refurbishment and modernisation.

10. OTHER OPERATING EXPENSES

Other operating expenses consist mainly of marketing costs (84,977 thousand euros in 2021 compared with 91,456 thousand euros in 2020), 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 2021 financial year, other operating expenses included impairment losses on financial assets and contract assets of 14.1 million euros (previous year: 33.8 million euros). Of this amount, 31.2 million euros (previous year: 36.2 million euros) is attributable to impairment losses recognised under IFRS 9 for contracts capitalised during the current financial year, of which 31.2 million euros (previous year: 36.2 million euros) concern trade accounts receivable, other receivables and other assets, and other financial assets.Another −17.1 million euros (previous year: −2.4 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	2021	2020
Interest from lease receivables	1,426	1,670
Interest from banks, debt collection and similar income	843	746
Interest income from tax refunds	1	31
Total	**2,270**	**2,447**

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

12. INTEREST AND SIMILAR EXPENSES AND OTHER FINANCIAL RESULT

Interest and similar expenses are comprised as follows:

In EUR ’000s	2021	2020
Interest to banks and similar expenses	13,770	30,523
Interest from leases	10,194	12,269
Interest expense from the unwinding of discounts on liabilities	3,664	35
Interest expense from the unwinding of discounts on liabilities	1,206	2,165
Interest expense from pension obligations	1,026	1,310
Other	873	1,331
Total	**30,733**	**47,633**

The interest expense for 2021 relating to the unwinding of the discount on liabilities in the amount of 1,206 thousand euros (previous year: 2,165 thousand euros) is mainly attributable to interest on current income tax liabilities, other financial liabilities and provisions.

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 897 thousand euros (previous year: 2,172 thousand euros) and in the interest expense relating to the unwinding of the discount on liabilities in the amount of 1,206 thousand euros (previous year: 2,165 thousand euros).

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

The other financial result amounts to –1.5 million euros (previous year: 0.1 million euros).

13. INCOME TAXES

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

In EUR '000s	2021	2020
Current tax expense for the financial year	– 30,886	– 23,405
Tax income from previous years	– 1,620	406
Deferred tax expense (previous year: tax income) due to the write-down (previous year: write-up) of deferred tax assets	– 438	9,146
Deferred tax income (previous year: tax expense) relating to temporary differences	6,403	– 13,230
Deferred tax expense/income from tax rate changes		
relating to temporary differences	458	625
relating to tax loss carryforwards	– 777	– 538
Total	**– 26,860**	**– 26,996**

For further details concerning deferred taxes, please refer to note 18, Deferred tax assets and deferred tax liabilities.

In the previous year, "Consolidated profit/loss from discontinued operations" included current tax expense of 2.7 million euros and deferred tax income of 1.3 million euros arising from the sale of the equity investment in Sunrise in addition to the net expense of 27.0 million euros reported in "Income taxes".

Applying the average tax rate of the consolidated companies to consolidated profit before income taxes would result in anticipated tax expense of 66.1 million euros (previous year: 66.1 million euros). The difference between this amount and the current tax expense of 26.9 million euros (previous year: 27.0 million euros) from continuing operations is shown in the following reconciliation:

In EUR ’000s / as indicated	2021	2020
Earnings before taxes	**218,064**	**217,505**
Expected tax expense applying the tax rate of 30.30% (previous year: 30.40%)	– 66,073	– 66,122
Change in deferred tax assets on loss carryforwards and unrecognised deferred tax assets on loss carryforwards	46,097	45,926
Tax effect on non-deductible expenses due to trade tax additions	– 1,982	– 2,683
Tax effect of other non-deductible expenses	– 2,760	– 3,987
Tax effect of tax-free income	606	456
Tax effect from associates	– 608	– 130
Effects of tax rate changes	– 319	87
Tax expense (previous year: tax income) from previous years	– 1,620	406
Other effects	– 201	– 949
Current tax expense	**– 26,860**	**– 26,996**
Effective tax rate (in %)	12.32	12.41

For the Group companies, a corporation tax rate of 15.0 percent (previous year: 15.0 percent) was applied in financial year 2021 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 413.86 percent (previous year: 415.42 percent) were also applied. The deferred taxes in financial year 2021 were calculated using an average tax rate of 30.30 percent (previous year: 30.40 percent).

14. EARNINGS PER SHARE

14.1. BASIC EARNINGS PER SHARE

Basis 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.

	2021	2020
Consolidated profit attributable to shareholders of freenet AG In EUR ’000s	198,167	565,835
Weighted average number of shares outstanding	122,406,467	127,465,092
Earnings per share in EUR (basic)	**1.62**	**4.44**

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 at 31 December 2021, there are neither actual nor potential dilution effects.

	2021	2020
Consolidated profit attributable to shareholders of freenet AG in EUR '000s	198,167	565,835
Weighted average number of shares outstanding	122,406,467	127,465,092
Weighted average number of shares outstanding plus number of potentially dilutive shares	122,406,467	127,465,092
Earnings per share in EUR (diluted)	**1.62**	**4.44**

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.

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

In EUR '000s	31.12.2021	31.12.2020
Trademarks	299,407	300,081
Customer relationships	77,792	82,810
Software	1,038	1,491
Right-of-use assets	187	36,261
Total	**378,424**	**420,643**

In addition to the intangible assets resulting from the various purchase price allocations, further intangible assets of 80.5 million euros are shown as at 31 December 2021 (31 December 2020: 74.1 million euros), including internally generated software of 54.2 million euros (31 December 2020: 48.5 million euros) and distribution rights of 19.1 million euros (31 December 2020: 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 18.8 million euros as at 31 December 2021 (previous year: 18.8 million euros). No impaired intangible assets existed as at 31 December 2021.

Lease assets amounted to 401.4 million euros as at 31 December 2021 (31 December 2020: 441.3 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	31.12.2021	31.12.2020
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**

The purchase price allocation on the occasion of the acquisition of the Media Broadcast Group resulted in goodwill of 225,934 thousand euros, which is shown under the “TV” CGU.

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 124.3 million euros (31 December 2020: 140.5 million euros) consists mainly of technical broadcasting infrastructure of 75.1 million euros (31 December 2020: 79.5 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, and a trademark in the amount of 293,204 thousand euros (previous year: 293,204 thousand euros) as an intangible asset with an indefinite useful life. As of 31 December 2021, 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: 28,670 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 2025. 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 2025), 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:

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 Communi-cations	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 (particu-larly mobile network operators). –The costs of acquiring and retaining cus-tomers 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 reve-nues and EBITDA – Increasing sales and earnings contribution of digital lifestyle products
TV	226.6	5.23	1.00	–Revenue and gross profits generated by the individual end products, differentiat-ed in accordance with the respective sales markets.	– Increasing revenue, gross prof-it and EBITDA contributions
Online	28.8	5.38	0.25	–Revenue and gross profits generated by the individual end products, differentiat-ed in accordance with the respective sales markets.	– Slightly increasing revenue and gross profit – Steady EBITDA contributions

The following table shows the basic assumptions for 2020.

CGU	Allocated goodwill in EUR millions	WACC in %	Growth rate in %	Key earnings/ value drivers	Basic assumptions for corporate planning
Mobile Communi-cations	1,122.8	3.94	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 op-posed 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 ac-quisition 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 revenues and EBITDA – Increasing sales and earnings contribution of digital lifestyle products
TV	226.6	4.70	1.00	–Revenue and gross profits gener- ated by the individual end products, differentiated in accordance with the respective sales markets.	– Increasing revenue, gross profit and EBITDA contributions
Online	28.7	5.53	0.25	–Revenue and gross profits generated by the individual end products, differentiated in accordance with the respective sales markets.	– Declining revenue and gross profit – Steady EBITDA contributions

The impairment test carried out in 2021 in relation to the “Mobile Communications”, “TV” and “Online” CGUs confirmed that no impairment has to be recognised in relation to the respective goodwill allocated or to the trademark of the “Mobile Communications” CGU with an indefinite useful life.

The consolidated financial statements as at 31 December 2021 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. Impairment of non-monetary assets in the amount of 33.0 million euros was recognised in the Group in financial year 2021 (previous year: 0.0 million euros).

17. EQUITY-ACCOUNTED INVESTMENTS

In EUR ’000s	31.12.2021	31.12.2020
Interests in joint ventures	100	2,088
Total	**100**	**2,088**

The decline in equity-accounted investments is due mainly to the sale of all shares in the immaterial joint venture Jestoro GmbH, Hamburg on 2 July 2021.

The consolidated financial statements for the period ending 31 December 2021 include Antenne Deutschland GmbH & Co KG with a carrying amount of 0.1 million euros (31 December 2020: 0.3 million euros). Antenne Deutschland GmbH & Co KG posted a net loss of 6.6 million euros in the 2021 financial year (previous year: 1.4 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: 30.40 percent).

The following amounts are shown in the consolidated balance sheet:

In EUR ’000s	31.12.2021	31.12.2020
Deferred income tax assets	134,229	129,440
Total	**134,229**	**129,440**

The overhang of deferred tax assets for the corporation tax and trade tax group of freenet AG which are recognised (123.5 million euros; previous year: 123.9 million euros) is classified as current (47.5 million euros; previous year: 38.8 million euros) and non-current (76.0 million euros; previous year: 85.1 million euros) as a result of the anticipated use of tax loss carry-forwards. 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 10.7 million euros (previous year: 5.5 million euros), of which 1.6 million euros (previous year: 0.9 million euros) are classified as current.

Changes in the deferred income tax assets and deferred income tax liabilities in the financial year 2021 are shown in the following table:

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**

Income tax expenses and income amounting to a net income of 5,645 thousand euros (previous year: net expense of 3,998 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 2020:

In EUR '000s	1.1.2020	Effects from deconsolida-tion	Set off in other comprehen-sive income	Expenses and income from income taxes	31.12.2020
Property, plant and equipment	2,739	0	0	– 370	2,369
Intangible assets	– 171,744	351	0	– 8,802	– 180,195
Lease assets	– 139,646	155	0	2,900	– 136,591
Other financial assets	– 35,074	0	– 144	1,493	– 33,725
Contract acquisition costs	– 90,024	0	0	2,084	– 87,940
Loss carryforwards	283,107	0	0	9,771	292,878
Lease liabilities	167,096	– 158	0	– 4,231	162,707
Pension provisions	12,595	0	1,834	– 600	13,829
Other provisions	4,524	0	– 2	– 513	4,009
Other financial liabilities	28,867	0	0	– 4,877	23,990
Trade accounts payable, other liabilities	134,295	– 21	0	– 646	133,628
Borrowings	1,392	0	0	– 646	746
Trade accounts receivable, other assets	– 67,901	1,271	– 74	439	– 66,265
Total	**130,226**	**1,598**	**1,614**	**– 3,998**	**129,440**

The effects of deconsolidation in the previous year amounted to net income of 1,598 thousand euros in total, of which 1,271 thousand euros were attributable to the sale of the equity investment in Sunrise (component of profit/loss from discontinued operations) and 327 thousand euros to the deconsolidation of the freenet digital Group.

The summarised net change in deferred taxes is shown below:

In EUR '000s	2021	2020
As of 1.1.	**129,440**	**130,226**
Effects from initial consolidation and deconsolidation	0	1,598
Set off in other comprehensive income	– 856	1,614
Tax income (previous years: tax expense)	5,645	– 3,998
As of 31.12.	**134,229**	**129,440**

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 at 31 December 2021, deferred tax assets amounting to 291,663 thousand euros had been recognised in relation to loss carryforwards (previous year: 292,878 thousand euros). Of this figure, 171,329 thousand euros (previous year: 154,556 thousand euros) is attributable to corporation tax loss carryforwards and 120,334 thousand euros (previous year: 138,322 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, 0.4 billion euros relate to corporation tax (previous year: 0.7 billion euros). 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 at 31 December 2021, 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 54.9 million euros (previous year: approximately 54.0 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 251,053 thousand euros as of 31 December 2021 (31 December 2020: 289,335 thousand euros). They relate predominantly to dealer commissions in the Mobile Communications segment and, to a lesser extent, to employee commissions.

In financial year 2021, costs recognised as assets amounted to 254,887 thousand euros (previous year: 309,532 thousand euros) and amortisation to 293,169 thousand euros (previous year: 317,437 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, 92 percent of the amortisation amount in 2021 (2020: 93 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	31.12.2021	31.12.2020
Mobile phones/Accessories	54,591	49,352
Computers/IT products	21,210	14,350
SIM cards	8,960	6,605
Bundles and vouchers	17	38
Other	7,890	4,406
Total	**92,668**	**74,751**

Impairment of 3,912 thousand euros (previous year: 3,890 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:

	31.12.2021		
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**

		31.12.2020	
In EUR ’000s	Total	Non-current	Current
Trade accounts receivable	252,940	63,678	189,262
Other non-derivative financial assets	19,905	6,527	13,378
	272,845	**70,205**	**202,640**
Lease receivables	69,734	55,572	14,162
Other financial assets	33,961	12,772	21,189
Other equity instruments	195,529	195,529	0
Financial assets	**572,069**	**334,078**	**237,991**
Other assets	304,460	106,909	197,551
Prepayments made	5,588	106	5,482
Non-financial assets	**310,048**	**107,015**	**203,033**
Total receivables, other assets and other financial assets	**882,117**	**441,093**	**441,024**

These other equity instruments are comprised as follows:

In EUR ’000s	31.12.2021	31.12.2020
Equity investment in CECONOMY	123,681	184,869
Equity investments in MGI	18,819	9,191
Other equity investments	1,455	906
Other	535	563
Total	**144,490**	**195,529**

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 2021, the equity investment in CECONOMY is reported under other financial assets at a carrying amount of 123.7 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 3.79 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 plc., Malta (hereinafter also referred to as “MGI”), worth 5.7 million euros (as measured at 30 September 2020). As of 31 December 2021, the equity investment in MGI is reported under other financial assets at a carrying amount of 18.8 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 4.30 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 321,405 thousand euros as at 31 December 2021 (previous year: 272,845 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 268,520 thousand euros (previous year: 310,048 thousand euros) consist of non-financial assets as at 31 December 2021.

Invoices in the Mobile Communications segment are issued by the Group itself. In the segment Other/Holding 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 295.6 million euros (previous year: 243.8 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 2021 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 at 31 December 2021 were determined as follows:

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 (mathematical) 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 financial year 2021 and was not recognised.

31 December 2020
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	143,789	– 4,494	139,295	3.1
Receivables from end customers – past due for <90 days	Trade accounts receivable	16,999	– 4,915	12,084	28.9
Receivables from end customers – past due for 90 to 180 days	Trade accounts receivable	10,518	– 5,569	4,949	52.9
Receivables from end customers – past due for >180 days	Trade accounts receivable	119,849	– 115,959	3,890	96.8
Receivables from business partners	Trade accounts receivable	95,861	– 3,139	92,722	3.3
Other non-derivative financial assets (Stage 1)	Other financial assets	20,332	– 427	19,905	
Other financial assets					
thereof lease receivables [1]	Other financial assets	69,734		69,734	
thereof consideration payable under IFRS 15 (Mobile Communications/mobile phone upgrade option) (Stage 1)	Other financial assets	34,668	– 707	33,961	2.0
Other assets					
thereof contract assets from contracts with customers (Mobile Communications)	Other receivables and other assets	148,618	– 5,641	142,977	3.8
thereof consideration payable under IFRS 15 (Mobile Communications/tariff)	Other receivables and other assets	129,927	– 5,420	124,507	4.2
thereof financial assets from contracts with customers (TV)	Other receivables and other assets	32,349		32,349	

[1] The impairment loss identified for the lease receivables was insignificant in financial year 2020 and was not recognised.

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)	Summe
Loss allowance as at 31.12.2020 – calculated under IFRS 9 (of which specific loss allowances was 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 at 31.12.2021 – calculated under IFRS 9 (of which specific loss allowances was 3,018, see following table)	**110,370**	**1,014**	**12,887**	**124,271**

We provide the following information on the development loss allowances in the 2020 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 at 31.12.2019 – calculated under IFRS 9 (of which specific loss allowances was 2,971, see following table)	**144,965**	**1,134**	**12,475**	**158,574**
Net change in loss allowances in 2020	– 10,889	0	– 1,414	– 12,303
Loss allowance as at 31.12.2020 – calculated under IFRS 9 (of which specific loss allowances was 3,474, see following table)	**134,076**	**1,134**	**11,061**	**146,271**

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

In EUR '000s	31.12.2021	31.12.2020
Interest in CECONOMY AG	123,681	184,869
Interest in MGI	18,819	9,191
Lease receivables	41,596	55,572
Consideration payable under IFRS 15 (Mobile Communications/mobile phone upgrade option)	9,701	12,772
Other	7,979	7,996
Total	**201,776**	**270,400**

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	31.12.2021	31.12.2020
Consideration payable under IFRS 15 (Mobile Communications/mobile phone upgrade option)	21,208	21,189
Lease receivables	13,798	14,162
Other	12,930	13,378
Total	**47,936**	**48,729**

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	31.12.2021	31.12.2020
Contract assets from contracts with customers (Mobile Communications)	45,031	46,257
Other assets from contracts with customers (TV)	25,332	30,712
Consideration payable under IFRS 15 (Mobile Communications/tariff)	23,372	29,085
Other	1,359	961
Total	**95,094**	**107,015**

Current other receivables and other assets are comprised as follows:

In EUR ’000s	31.12.2021	31.12.2020
Contract assets from contracts with customers (Mobile Communications)	88,281	96,720
Consideration payable under IFRS 15 (Mobile Communications/tariff)	69,594	93,795
Other assets from contracts with customers (TV)	7,121	3,264
Other	8,430	9,254
Total	**173,426**	**203,033**

Non-current trade accounts receivable are comprised as follows:

In EUR ’000s	31.12.2021	31.12.2020
Receivables from end customers from mobile phone upgrade option (Mobile Communications)	56,120	63,512
Other	775	166
Total	**56,895**	**63,678**

Current trade accounts receivable are comprised as follows:

In EUR ’000s	31.12.2021	31.12.2020
Receivables from network operators, dealers, distributors, hardware manufacturers (Mobile Communications)	105,521	73,741
Receivables from end customers from mobile phone upgrade option (Mobile Communications)	71,367	51,603
Receivables from end customers (Mobile Communications), without mobile phone upgrade option	51,139	42,863
Receivables from end customers (TV and Media, and Other/Holding)	1,819	2,241
Other	15,745	18,814
Total	**245,591**	**189,262**

22. LIQUID ASSETS

Liquid assets are comprised as follows:

In EUR ’000s	31.12.2021	31.12.2020
Cash at bank, cheques and cash in hand	286,287	666,867
Total	**286,287**	**666,867**

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 company's issued share capital is unchanged compared with the previous year and amounts to 128,061 thousand euros. The share capital consists of 128,061,016 registered no-par-value shares, each with a theoretical nominal value of 1.00 euro. The entire share capital is fully paid up. All shares have the same rights. As in the previous year 50,000 of these shares are held by mobilcom-debitel Logistik GmbH, Schleswig, which in turn is wholly owned by the company, unchanged compared with the previous year. As was the case in the previous year, the treasury shares were deducted from the capital reserve at their acquisition cost of 50 thousand euros.

Pursuant to section 71 (1) no. 8 of the German Stock Corporation Act (Aktiengesetz – AktG), the Executive Board has been authorised by the Annual General Meeting on 27 May 2020 to purchase own shares amounting to a total of 10 percent of the share capital existing at the time of the resolution on 27 May 2020 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 permissible purpose within the legal restrictions. The authorisation is valid until 26 May 2025. In financial year 2020, the Executive Board made use of this authorisation. Please refer to note 24.3, treasury shares.

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

As was the case in the previous year, major components of the capital reserve reported as at 31 December 2021 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. TREASURY SHARES

On 31 December 2021, freenet AG completed the share buyback announced on 2 February 2021 as required by Article 2, paragraph 2 of Commission Delegated Regulation (EU) 2016/1052. In total, 5,552,664 shares were purchased under the share buyback programme at an average price of 20.37 euros. The cost amounted to 113,085 thousand euros, equating to 4.3 percent of the share capital. At the beginning of the calendar year, 125,104,784 shares were outstanding; as a result of the acquisition of own shares (5,552,664 shares), a total of 119,552,120 shares remain outstanding as of 31 December 2021. The repurchased shares are to be retired at a later date. As a result of acquiring own shares, freenet AG holds a total of 8,508,896 shares as of 31 December 2021 (31 December 2020: 2,956,232 shares).

24.4. 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.

24.5. 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 2020 and 2021.

24.6. NON-CONTROLLING INTERESTS

Of the non-controlling interests in equity an amount of −4.2 million euros (31 December 2020: 0.6 million euros) was attributable to the 28.05 percent (31 December 2020: 38.70 percent) interest held by non-controlling shareholders in EXARING. In financial year 2021, an additional 10.65 percent of the shares were acquired at a purchase price of 9.6 million euros. We provide the following information regarding the assets and liabilities of EXARING as of 31 December 2021, 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	**31.12.2021**	**31.12.2020**
Non-current assets	36,008	64,841
Current assets	10,039	4,705
Total assets	**46,047**	**69,546**
Non-current liabilities	7,948	18,043
Current liabilities	15,052	11,405
Total liabilities	**23,000**	**29,448**
Net assets	**23,047**	**40,097**
thereof: non-controlling interests in equity	**−4,185**	**559**

The net profit/loss of EXARING AG amounted to 8,725 thousand euros in financial year 2021 (previous year: −6,735 thousand euros).

24.7. 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 financial year 2020, the Executive Board made no use of this authorisation.

24.8. 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 a right to delivery of shares in the company 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 financial year 2021, 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

In 2014, agreements concerning the service agreements that grant new LTIP benefits (hereinafter referred to as "Programme 2") were entered into with the members of the Executive Board at the time.

In addition to the annual STIP target agreement, a five-year target agreement was concluded in which EBITDA in financial years 2014 to 2018 (for Mr Vilanek) and EBITDA in financial years 2015 to 2019 (for Mr Preisig and Mr Esch) was designated as the target parameter. A basic amount was specified in each beneficiary's service agreements for this remuneration instrument; this basic amount was entered in a virtual account for the Executive Board member in question as a positive or negative amount as described below and in accordance with target achievement in each financial year, and paid out in annual instalments depending on future performance provided that account shows a credit balance. Basic amounts totalling 1,050 thousand euros per financial year were specified as target remuneration for the beneficiaries, of which 550 thousand euros for Mr Vilanek, 300 thousand euros for Mr Preisig and 200 thousand euros for Mr Esch.

If the Group EBITDA target is achieved in a financial year, 100 percent of the basic amount was credited to the virtual account as the basic amount multiplier. If the Group EBITDA defined for 120 percent target achievement was reached, 200 percent of the basic amount was credited to the virtual account. If target achievement was between 100 and 120 percent, linear interpolation was used. Even if the 120 percent target is exceeded, no more than 200 percent of the basic amount is credited to the virtual account. If the target achievement for the defined Group EBITDA was between the fixed 90 percent target and 100 percent, a percentage of the basic amount which is reduced on a linear basis was credited to the virtual account; if only 90 percent of the target was achieved, nothing was credited to the virtual account for the financial year in question. If Group EBITDA failed to meet the 90 percent target, a negative amount of up to 200 percent of the basic amount (if Group EBITDA is 80 percent of the target or less) was debited to the virtual account.

The amount shown on the virtual account (referred to as the “allotment amount” as the product of the basic amount and the respective basic amount multiplier described above) was converted into virtual shares. This calculation was based on a reference share price, i.e. the average Xetra closing price on the 20 stock exchange trading days after the day on which the consolidated financial statements for the relevant financial year are published.

In the event of payouts from Programme 2, the balance of virtual shares was converted into cash on the basis of the average Xetra closing price on the 20 stock exchange trading days following the date of publication of the consolidated financial statements for the relevant financial year. The increase in the share price was taken into account only up to a price of 50 euros (cap). With the exception of the final payout at the completion of the programme, a payout of 25 percent of the balance of virtual shares was possible for each financial year. Irrespective of that, the gross payout amount was restricted additionally as follows: the maximum gross amount to be paid out per financial year corresponded to 500 percent of the number of virtual shares in the respective sub-account, multiplied by the applicable share price on which the calculation of the allotment amount when the respective post was made in the sub-account was based and multiplied by 25 percent for the cap on the annual payout described above.

For the purpose of conversion into virtual shares, dividend payments, as well as circumstances for which dilution protection provisions were applicable in the case of marketable financial instruments dependent on the share value, must be included in the calculations.

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 were 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 was used; according to this method, the personnel expenses for all Executive Board members were incurred from the date on which the programme was granted, i.e. in this case as from 26 February 2014.

Programme 2 was concluded for Mr Vilanek upon payment in 2019 and for Mr Preisig upon payment in 2020. The balance of 88,718 virtual shares for Mr Esch as at 31 December 2020 was paid out in 2021. Including the dividend, the applicable share price of 22.38 euros resulted in 2,236 thousand euros being paid out to Mr Esch.

In financial year 2021, Programme 2 resulted in personnel expenses of 580 thousand euros, due to the use of the provision of 1,656 thousand euros recognised as at 31 December 2020 in combination with payouts of 2,236 thousand euros. In the previous year, a decrease in personnel expenses of 333 thousand euros resulted from the programme, due to a reduction in the provision from 2,548 thousand euros to 1,656 thousand euros and payments of 559 thousand euros (to Mr Preisig).

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 agreement’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 (STIP) 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 reference share price to convert it into the virtual shares credited. The reference 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. The applicable reference value for this is Group EBT for financial year 2022 for all Executive Board members except for Mr Esch who are beneficiaries of Programme 3, and Group EBT for financial year 2023 for Mr Esch. 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 end of the regular 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 virtual 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 at 31 December 2021, a total of 257,816 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. The development of the number of virtual shares in Programme 2 in financial year 2021 and financial year 2020 is shown in the following overviews:

PROGRAMME 3

	Number of virtual shares 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**

PROGRAMME 3

	Number of virtual shares 1.1.2020	Additions	Disposal by payout	Number of virtual shares 31.12.2020	Provision 31.12.2020 in EUR '000s
Christoph Vilanek	0	44,479	0	44,479	2,088
Ingo Arnold	0	17,107	0	17,107	748
Stephan Esch	0	0	0	0	547
Rickmann v. Platen	10,335	17,107	0	27,442	673
Antonius Fromme	10,335	17,107	0	27,442	673
Total	**20,670**	**95,800**	**0**	**116,470**	**4,729**

Of the personnel expenses recognised in 2021 December in the amount of 3,079 thousand euros (previous year: 1,808 thousand euros), 1,484 thousand euros (previous year: 783 thousand euros) is attributable to Mr Vilanek, 441 thousand euros (previous year: 329 thousand euros) to Mr Arnold, 466 thousand euros (previous year: 320 thousand euros) to Esch, 344 thousand euros (previous year: 188 thousand euros) to Mr v. Platen and 344 thousand euros (previous year: 188 thousand euros) to Mr Fromme.

The shares added in 2021 are for financial year 2020 and in 2020 are for financial year 2019. At the time this report was prepared, virtual shares had not yet been added to the LTIP virtual account for financial year 2021. For financial year 2021, 46,763 virtual shares are expected to be added for Mr Vilanek, 17,986 virtual shares each are expected to be added for Messrs Arnold and Esch, and 7,494 virtual shares each are expected to be added for Messrs v. Platen and Fromme (for the partial financial year up to 31 May 2021).

25.4. PROGRAMME 4

In Programme 4, a target agreement was 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 target agreement defines the target achievement for the annual variable remuneration of financial years 2021 (pro-rated from the new Executive Board appointment, from 1 June 2021 onward) to 2026 (pro-rated up to 31 May 2026) based on target parameters.

Basic amounts totalling 290 thousand euros in each case were specified as the target remuneration for the beneficiaries for each full financial year.

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 service agreement, not individual payout years) is limited to 400 percent of the basic amount for Programme 4 (for each full calendar year of the service agreement; the pro-rated basic amount for partial calendar years).

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

The last partial financial year 2026 of the service agreement covered by Programme 4 follows the year of the EBT target (2025). For this last partial 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 for 2026 exceeds the EBT for 2025 by at least 1.5 percent.

As of the date of this report, no virtual shares have been credited for Programme 4.

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 personnel expenses recognised in 2021 and the provision recognised as at 31 December 2021 each amount to a total of 810 thousand euros and include 405 thousand euros relating to Mr v. Platen and 405 thousand euros relating to Mr Fromme.

For partial financial year 2021 (from 1 June 2021 onward), 12,170 virtual shares are expected to be added for Messrs v. Platen and Fromme.

25.5. 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 2,117 thousand euros as at 31 December 2021 (previous year: 1,679 thousand euros). Under the terms of the programme, the employees were granted virtual shares which are earned in several tranches up to 2023. The virtual shares will be paid out until the programme's completion and after its completion in 2023 in an amount linked to the issuing entity’s pro rata enterprise value.

In the previous year, payments of 562 thousand euros were made from another programme granted to executives below Executive Board level. This programme ended with the aforementioned payout.

26. TRADE ACCOUNTS PAYABLE, OTHER LIABILITIES AND DEFERRALS, OTHER FINANCIAL LIABILITIES AND LIABILITIES TO PAYMENT SERVICE PROVIDERS RELATED TO TRADE ACCOUNTS PAYABLE

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

		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**

		31.12.2020	
In EUR ’000s	Total	Non-current	Current
Trade accounts payable	351,656	0	351,656
Liabilities to payment service providers related to trade accounts payable	27,667	0	27,667
Other non-derivative financial liabilities	100,379	36,941	63,438
Financial liabilities	**479,702**	**36,941**	**442,761**
Other liabilities and deferrals	30,008	7,595	22,413
Prepayments received	483,629	101,195	382,434
Non-financial liabilities	**513,637**	**108,790**	**404,847**
Total trade accounts payable, other liabilities and deferrals, other financial liabilities, and liabilities to payment service providers related to trade accounts payable	**993,339**	**145,731**	**847,608**

As at 31 December 2021, there are no liabilities vis-à-vis related parties; please refer to note 34.

Of the figure shown for liabilities, 821,164 thousand euros (previous year: 847,608 thousand euros) are due within the next twelve months. Liabilities amounting to 134,004 thousand euros (previous year: 145,456 thousand euros) have a maturity of between one year and five years; liabilities of 0 thousand euros (previous year: 275 thousand euros) are due in more than five years.

Of the figure shown for the liabilities, which is combined under financial liabilities, 402,830 thousand euros (previous year: 442,761 thousand euros) fall due within one year, 23,832 thousand euros (previous year: 36,797 thousand euros) fall due between one and five years and 0 thousand euros (previous year: 144 thousand euros) fall due after more than five years after the balance sheet date.

Current trade accounts payable break down as follows:

In EUR '000s	31.12.2021	31.12.2020 adjusted
Liabilities to network operators, dealers, distributors, hardware manufacturers (Mobile Communications)	210,376	207,407
Liabilities to sales partners from contracts with customers	39,095	62,080
Obligations from distribution rights	29,750	29,563
Other	59,564	52,606
Total	**338,785**	**351,656**

Current other financial liabilities are comprised as follows:

In EUR '000s	31.12.2021	31.12.2020
Refund liabilities	26,519	35,221
Personnel obligations	20,524	17,742
Obligations from earn-outs	10,000	0
Other	7,002	10,475
Total	**64,045**	**63,438**

Non-current other financial liabilities are comprised as follows:

In EUR '000s	31.12.2021	31.12.2020
Liabilities to sales partners from contracts with customers	12,021	16,782
Obligations from distribution rights	11,036	10,866
Obligations from earn-outs	0	7,912
Other	775	1,381
Total	**23,832**	**36,941**

Current other liabilities and deferrals are comprised as follows:

In EUR ’000s	31.12.2021	31.12.2020
Deferred income from bonuses and commissions received from network operators	308,591	318,366
Deferred income from customer credit balances, Mobile Communications	34,988	36,180
Liabilities from value added tax	33,211	2,447
Liabilities to customers from contracts with customers	14,653	15,771
Other	26,891	32,083
Total	**418,334**	**404,847**

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

In EUR ’000s	31.12.2021	31.12.2020
Deferred income from bonuses and commissions received from network operators	101,884	100,656
Liabilities to customers from contracts with customers	6,918	7,595
Other	1,370	539
Total	**110,172**	**108,790**

Current **liabilities to payment service providers related to trade accounts payable** are comprised as follows:

In EUR ’000s	31.12.2021	31.12.2020 adjusted
Liabilities to payment service providers related to trade accounts payable	0	27,667

The amount of 27.7 million euros shown for the previous year's reporting date relates to a liability to a credit card provider in connection with the payment of supplier liabilities. Please refer to our comments under note 2.17, Comparative figures.

27. CURRENT INCOME TAX LIABILITIES

Current income tax liabilities consist mainly of anticipated additional corporation tax and trade tax payments for previous financial years.

28. BORROWINGS AND LEASE LIABILITIES

Borrowings are structured as follows:

In EUR millions	31.12.2021	31.12.2020
Liabilities from promissory notes	505.8	734.8
Non-current	**505.8**	**734.8**
Liabilities from promissory notes	143.6	205.9
Liabilities to banks	0.0	0.1
Current	**143.6**	**206.0**
Total	**649.4**	**940.8**

During the course of financial year 2021, various tranches of the existing five promissory note loans from 2016, 2018 and 2020 with a total nominal amount of 289.5 million euros were repaid early or as scheduled.

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

In EUR millions	31.12.2021	31.12.2020
Site leases	227.9	267.3
Shops/stores	87.7	87.9
Co-location leases	64.3	74.0
Network infrastructure	1.3	15.1
Motor vehicles	3.4	4.4
Other	11.0	2.8
Non-current	**395.6**	**451.5**
Site leases	42.3	41.2
Shops/stores	20.0	19.8
Co-location leases	12.0	11.5
Motor vehicles	3.9	4.1
Network infrastructure	2.9	4.0
Other	4.2	4.6
Current	**85.3**	**85.2**
Total	**480.9**	**536.7**

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 20,037 thousand euros (previous year: 17,544 thousand euros).

The provision in the consolidated balance sheet is calculated as follows:

In EUR '000s	31.12.2021	31.12.2020
Present value of funded obligations	31,362	32,568
Present value of unfunded obligations	84,940	88,484
Present value of obligations	**116,302**	**121,052**
Fair value of plan assets	– 20,037	– 17,544
Provision recognised	**96,265**	**103,508**

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	2021	2020
As of 1.1.	**121,052**	**113,638**
Current service cost	1,753	2,121
Past service cost	0	0
Gross interest expense	1,244	1,543
Employe contributions	2	2
Settlement of pension obligations	– 96	– 17
Actuarial losses/gains		
thereof due to experience adjustments	9	29
thereof due to financial parameter adjustments	– 5,298	6,287
Actuarial losses/gains, subtotal	**– 5,289**	**6,316**
Payments made	– 2,364	– 2,551
As of 31.12.	**116,302**	**121,052**

The weighted average remaining term of the obligations as of 31 December 2021 amounted to 22.5 years for the freenet plan (previous year: 24.2 years), 16.7 years for the debitel plans (previous year: 17.5 years) and 9.4 years for the plans of the Media Broadcast Group (previous year: 10.1 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	2021	2020	2019	2018	2017
Present value of funded obligation	31,362	32,568	28,795	22,715	21,266
Present value of unfunded obligation	84,940	88,484	84,843	78,845	78,069
Fair value of plan assets	– 20,037	– 17,544	– 14,851	– 12,387	– 11,426
Plan deficit	**96,265**	**103,508**	**98,787**	**89,173**	**87,909**
Experience adjustments of plan liabilities	9	35	– 1,226	667	– 320
Experience adjustments of plan assets	113	285	53	– 766	– 67

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 20,037 thousand euros (previous year: 17,544 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	2021	2020
As of 1.1.	**17,544**	**14,851**
Interest on plan assets (through income statement, with interest in accordance with IAS 19)	218	233
Differences between the expected and actual income from plan assets (recognised through other comprehensive income)	113	285
Employer contributions to plan assets	2,162	2,175
As of 31.12.	**20,037**	**17,544**

The actual income from the plan assets amount to 331 thousand euros (previous year: 518 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 2022, freenet is expecting payments of 2,162 thousand euros into the plan assets and payments of 2,542 thousand euros out of the plan assets for pensions. freenet had expected for financial year 2021 payments of 2,173 thousand euros into the plan assets and payments of 2,869 thousand euros out of the plan assets for pensions.

The amounts recognised as provisions in the balance sheet developed as follows:

In EUR '000s	2021	2020
As of 1.1.	**103,508**	**98,787**
Current service cost	1,753	2,121
Past service cost	0	0
Net interest expense	1,026	1,310
Gains on the settlement of pension obligations	– 96	– 17
Subtotal: amount recognised in the consolidated income statement	**2,683**	**3,414**
Remeasurement		
Experience-based gains (–)/losses (+)	9	29
Gains (–)/losses (+) due to financial parameter adjustments	– 5,298	6,287
Return on (–)/costs (+) of plan assets not already included in net interest expense	– 113	– 285
Subtotal: remeasurements recognised through other comprehensive income	**– 5,402**	**6,031**
Payments made	– 2,364	– 2,551
Employer contributions to plan assets	– 2,162	– 2,175
Employee' contributions	2	2
As of 31.12.	**96,265**	**103,508**

The following significant actuarial assumptions were made:

In %	31.12.2021	31.12.2020
Discount rate (freenet, debitel plans)	1.47	1.17
Discount rate (Media Broadcast Group plans)	1.06	0.70
Future salary increases (debitel plan)	1.75	1.75
Future salary increases (Media Broadcast Group plans)	2.25	2.25
Future pension increases (debitel plan)	1.75	1.75
Future pension increases (freenet plan)	1.75	1.75
Future pension increases (Media Broadcast Group plans)	1.70	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.

31.12.2021	**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	

31.12.2020	**Change in present value of obligations**	
In EUR ’000s	**Increase**	**Decrease**
Increase in discount rate by 1.0 percentage points		18,134
Decrease in discount rate by 1.0 percentage points	23,604	
Increase in future salary increases by 0.5 percentage points	259	
Decrease in future salary increases by 0.5 percentage points		5
Increase in future pension increases by 0.25 percentage points	2,202	
Decrease in future pension increases by 0.25 percentage points		2,082
Life expectancy: +2 years	6,696	

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 2021. 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	1.1.2021	Use	Reversal	Unwinding of discount	Addition	31.12.2021	non-current	current
Other								
Contingent losses	329	142	14	0	301	**474**	90	384
Litigation	16,150	445	86	0	17,567	**33,186**	0	33,186
Asset retirement obligations	42,055	574	324	– 56	847	**41,948**	37,427	4,521
Storage costs	379	0	29	0	19	**369**	369	0
Other	2,404	230	25	0	1,720	**3,869**	0	3,869
	61,317	**1,391**	**478**	**– 56**	**20,454**	**79,846**	**37,886**	**41,960**
Personnel								
Employee incentive programmes	8,169	1,655	0	0	4,325	**10,839**	10,734	105
Service anniversaries	1,681	241	748	0	518	**1,210**	1,046	164
Restructuring	0	0	0	0	5,055	**5,055**	0	5,055
Other	110	87	0	0	5	**28**	0	28
	9,960	**1,983**	**748**	**0**	**9,903**	**17,132**	**11,780**	**5,352**
Total	**71,277**	**3,374**	**1,226**	**– 56**	**30,357**	**96,978**	**49,666**	**47,312**

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 384 thousand euros is expected for 2022.

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 2022. 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 2,989 thousand euros in 2022 and 33,613 thousand euros in the years from 2023 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 1,532 thousand euros in 2022 and 3,814 thousand euros in the years from 2023 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 the financial year due to a reorganisation of individual units. The outflow of assets is expected to occur in full in 2022.

Provisions for service anniversaries have been recognised; the outflow of assets for 2022 is expected to be 164 thousand euros and the outflow of assets for the years 2023 to 2041 is expected to be 1,046 thousand euros. A discount rate of 0.90 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 2021, the provisions before netting for long-term work accounts amounted to 4,328 thousand euros (previous year: 4,546 thousand euros), and the corresponding provisions for semi-retirement amounted to 103 thousand euros (previous year: 412 thousand euros).

In EUR '000s	2021	2020
Long-term work accounts		
Obligation as at 1.1.	4,546	5,201
Payments from long-term work accounts	– 553	– 839
Personnel expenses	268	79
Interest expense	67	105
Obligation as of 31.12. before netting	**4,328**	**4,546**
Fair value of plan assets as of 1.1.	6,433	6,225
Payments from plan assets	0	0
Loss on plan assets	93	208
Plan assets as of 31.12.	**6,526**	**6,433**

In EUR '000s	2021	2020
Semi-retirement		
Obligation as at 1.1.	412	1,068
Payments from semi-retirement accounts	– 317	– 661
Personnel expenses	8	4
Interest expense	0	1
Obligation as of 31.12. before netting	**103**	**412**
Fair value of plan assets as of 1.1.	1,034	1,040
Payments from plan assets	0	0
Loss on plan assets	– 8	– 6
Plan assets as of 31.12.	**1,026**	**1,034**

The remaining provision of 29 thousand euros (previous year: 110 thousand euros) for top-up obligations in connection with semi-retirement that may not be offset is shown in the statement of changes in provisions under “Other” under “Personnel”.

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	31.12.2021	31.12.2020
Maintenance, support and other obligations		
Due within one year	32,076	33,563
Due within one and five years	29,904	51,256
Due after more than five years	548	0
	62,528	**84,819**
Order commitments		
Regarding property, plant and equipment	12,337	6,124
Regarding inventories, expenses and services	146,211	125,409
	158,548	**131,533**
Total	**221,076**	**216,352**

As in 2020, 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 158,548 thousand euros (previous year: 131,533 thousand euros). Of this sum, 12,337 thousand euros (previous year: 6,124 thousand euros) is attributable to the procurement of non-current assets. There are other purchase commitments amounting to 146,211 thousand euros (previous year: 125,409 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 34,708 thousand euros (previous year: 40,748 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”, “Liabilities to payment service providers related to 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

Despite the dividend payment from Sunrise received for the last time in the previous year (46.0 million euros), cash flows from operating activities increased by 10.2 million euros year-on-year to 367.2 million euros. In addition to a 21.4 million euro increase in EBITDA, the 30.4 million euro change in contract acquisition costs (consisting primarily of sales commissions paid) due to lower sales via indirect sales channels (2021: 38.3 million euros; previous year: 7.9 million euros) and the 14.3 million euro reduction in interest payments (2021: 33.0 million euros; previous year: 47.3 million euros) had a positive effect. By contrast, the 13.6 million euro increase in net working capital had an adverse impact on cash flows from operating activities.

32.2. CASH FLOWS FROM INVESTING ACTIVITIES

In financial year 2021, cash flows from investing activities developed from 1,074.2 million euros in the previous year to −44.1 million euros – primarily due to the 1,125.2 million euros of proceeds from the sale of shares in Sunrise received in the previous year. The cash outflows for investments in intangible fixed assets and in property, plant and equipment, netted out against the cash inflows from such assets (net capital expenditure), decreased in 2021 by 1.1 million euros compared with the previous year to 45.1 million euros (previous year: 46.2 million euros). The cash investments were financed entirely out of the company's retained earnings.

32.3. CASH FLOWS FROM FINANCING ACTIVITIES

Cash flows from financing activities changed from −898.1 million euros in the prior-year period to −703.7 million euros. The payments for the financial year under review were mainly attributable to the repayment of various promissory note loan tranches totalling a nominal 289.5 million euros, the distribution of a dividend of 203.7 million euros, the acquisition of own shares as part of the 2021 share buyback programme totalling 113.1 million euros, and the repayment of lease liabilities totalling 87.7 million euros. The most noteworthy items during the prior-year period were cash outflows relating to the net repayment of borrowings as part of the sale of Sunrise (753.6 million euros), the repayment of lease liabilities (84.1 million euros), and repayments made as part of the 2020 share buyback programme (51.4 million euros).

Free cash flow of 234.4 million euros was generated in financial year 2021, representing a stable trend compared to the previous year (237.3 million euros). Compared to free cash flow adjusted for the dividend from Sunrise (previous year: 46.0 million euros) and corresponding interest payments on the syndicated bank loan (previous year: 10.0 million euros), free cash flow would have increased by 33.1 million euros in the reporting year, mainly as a result of the improved cash flows from operations.

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	1.1.2021–31.12.2021	1.1.2020–31.12.2020
Earnings before taxes	218,064	217,505
Financial result	31,975	45,476
EBIT	**250,039**	**262,981**

32.5. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

The following reconciliation shows the liabilities from financing activities for the period from 1 January 2021 to 31 December 2021.

In EUR '000s	1.1.2021	Cash changes [1]	Other changes [2]	31.12.2021
Non-current borrowings	734,826	– 89,500	– 229,040	416,286
Current borrowings	199,958	– 200,000	229,937	229,895
Current financial borrowings from interest accruals	6,043	0	– 2,819	3,224
Liabilities from finance leases	536,661	– 87,691	31,916	480,886
Total liabilities from financing activities	**1,477,488**	**– 377,191**	**29,994**	**1,130,291**

[1] The cash changes within borrowings include cash repayments of borrowings (totalling –289.5 million euros) as well as cash repayments of leases (– 87.7 million euros).
[2] This includes non-cash changes (e. g. reclassifications, interest accruals).

Liabilities from financing activities for the period from 1 January 2020 to 31 December 2020 break down as follows:

In EUR '000s	1.1.2020	Cash changes [1]	Other changes [2]	31.12.2020
Non-current borrowings	1,428,009	– 267,095	– 426,088	734,826
Current borrowings	258,198	– 486,500	428,260	199,958
Current financial borrowings from interest accruals	7,412	0	– 1,369	6,043
Liabilities from finance leases	553,276	– 84,079	67,464	536,661
Total liabilities from financing activities	**2,246,895**	**– 837,674**	**68,267**	**1,477,488**

[1] The cash changes within borrowings include payments made for the repayment of borrowings (–1,096.5 million euros), proceeds from new borrowings (342.9 million euros) as well as cash repayments of leases (84.1 million euros).
[2] This includes non-cash changes (e. g. reclassifications, interest accruals).

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 at 31 December 2021 and 31 December 2020:

Financial instruments by category as at 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						

[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
		31.12.2021	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	31.12.2021
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.

Financial instruments by category as at 31 December 2020 – restated

In EUR '000s	IFRS 9 measurement category	Carrying amount	Measurement			Fair value of financial instruments
		31.12.2020	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	31.12.2020
Assets						
Cash/liquid assets	AC	666,867	666,867			—[1]
Trade accounts receivable		252,940				
At amortised cost	AC	148,825	148,825			—[1]
Fair value through profit or loss	FVTPL	104,115		104,115		—[1]
Other financial assets		319,129				
Lease receivables	n. a.	69,734				
Non-derivative financial assets						
At amortised cost	AC	19,905	19,905			—[1]
Other financial assets						
At amortised cost	AC	17,236	17,236			—[1]
Fair value through profit or loss	FVTPL	16,725		16,725		
Other equity instruments						
Fair value through profit or loss	FVTPL	951		951		—[1]
Fair value through other comprehensive income	FVTOCI	194,578			194,578	194,578
Equity and liabilities						
Lease liabilities	n. a.	536,661				
Trade accounts payable	AC	351,656	351,656			
Liabilities to payment service providers related to trade accounts payable	AC	27,667	27,667			
Borrowings		940,827	940,827			
Borrowings from promissory notes	AC	934,784	934,784			950,465
Other borrowings	AC	6,043	6,043			
Other financial liabilities		100,379				
At amortised cost	AC	76,386	76,386			
Fair value through profit or loss	FVTPL	23,993		23,993		—[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
		31.12.2020	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	31.12.2020
Assets						
At amortised cost	AC	852,833	852,833			—[1]
Fair value through profit or loss	FVTPL	121,791		121,791		—[1]
Fair value through other comprehensive income	FVTOCI	194,578			194,578	194,578
Equity and liabilities						
At amortised cost	AC	1,396,536	1,396,536			950,465[1]
Fair value through profit or loss	FVTPL	23,993		23,993		—[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 at 31 December 2021: 123.7 million euros) and MGI (carrying amount as at 31 December 2021: 18.8 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 12,259 thousand euros as at 31 December 2021 (previous year: 15,681 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 at 31 December 2021.

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 2021.

Fair value hierarchy as of 31 December 2021

In EUR ’000s	Summe	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

Fair value hierarchy as of 31 December 2020

In EUR '000s	Total	Level 1	Level 2	Level 3
Assets				
Trade accounts receivable, at fair value through profit or loss	104,115	0	0	104,115
Other financial assets, at fair value through profit or loss	16,725	0	0	16,725
Other equity instruments, at fair value through profit or loss	951	0	0	951
Other equity instruments, at fair value through other comprehensive income	194,578	194,578	0	0
Equity and liabilities				
Borrowings from promissory notes	950,465	0	0	950,465
Other financial liabilities, at fair value through profit or loss	23,993	0	0	23,993

The following table shows the changes to Level 3 instruments for financial year 2021:

In EUR '000s	1.1.2021	Additions	Disposals	31.12.2021
Assets				
Trade accounts receivable, at fair value through profit or loss	104,115	14,692 [1]		118,807
Other financial assets, at fair value through profit or loss	16,725	2,117		18,842
Other equity instruments, at fair value through profit or loss	951	548	25	1,474
Equity and liabilities				
Borrowings from promissory notes	950,465		292,025	658,440
Other financial liabilities, at fair value through profit or loss	23,993	2,088	7,092	18,989

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

For the individual categories of financial instruments, the following net gains/losses were shown in financial year 2021 and in the previous year:

Net gains/losses by measurement category 2021

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/losses by measurement category 2020

2020	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)	1,920	0	– 29,953	0	– 28,033
Assets measured at fair value through profit or loss (FVTPL)	– 1,210	0	– 6,370	2,501	– 5,079
Assets measured at fair value through other comprehensive income (FVTOCI)	0	9,431	0	0	9,431
Liabilities measured at amortised cost (AC)	– 30,523	0	0	0	– 30,523
Total	**– 29,813**	**9,431**	**– 36,323**	**2,501**	**– 54,204**

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 2021

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**

Offsetting of financial assets and liabilities 2020

31.12.2020 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	395,511	142,571	252,940		252,940
Other financial assets	323,976	4,847	319,129		319,129
Total	**719,487**	**147,418**	**572,069**	**0**	**572,069**
Financial liabilities					
Trade accounts payable	494,227	142,571	351,656	4,020	347,636
Other provisions	76,124	4,847	71,277		71,277
Total	**570,351**	**147,418**	**422,933**	**4,020**	**418,913**

In 2021, 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 at 31 December 2021 was 108,742 thousand euros (31 December 2020: 142,571 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 113,143 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 103 thousand euros (31.12.2020: 110 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 at 31 December 2021, it was above the target of 25.0 percent (31 December 2021: 41.5 percent; previous year: 40.4 percent). Leverage (31 December 2021: 1.8; previous year restated: 1.7) 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 2021, 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 five promissory note loans (disclosed as a total net amount of 649.3 million euros as of 31 December 2021 (previous year: 940.7 million euros) – including 185.6 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 had again not been drawn on by the end of the year.

As at 31 December 2021, the Group reported interest-bearing financial liabilities amounting to 649.4 million euros (previous year: 940.8 million euros), of which 185.6 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 649.4 million euros are shown under short-term and long-term borrowings as at 31 December 2021 (previous year: 940.8 million euros), 185.6 million euros (previous year: 339.4 million euros) of which have variable interest rates. The variable-interest liabilities to banks as at the closing date carried interest of 1.2 percent. Of the aggregate amount shown for borrowings as at 31 December 2021, 143.6 million euros are shown as current. Of this amount, 3.2 million euros is deferred expected payments of accrued interest, and 140.5 million euros is earmarked for repayment of financial liabilities in 2022. As of 31 December 2021, the variable portion of the loans bears interest within a corridor of 1.0 to 1.4 percent. On the basis of market estimates, we are predicting a corridor of between 1.0 and 1.4 percent for the variable portion in 2022. This means that the cash outflows for the entire borrowings in 2022 would amount to 10.2 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 1.0 million euros on earnings before tax (previous year: 1.5 million euros), while a downward shift of 50 basis points in the interest rate curve would have an impact of –1.0 million euros on earnings before tax (previous year: –1.5 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 2021 and 2022:

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	Pay-ments of principal	Interest fixed	Interest variable	Pay-ments of principal	Interest fixed	Interest variable	Pay-ments of principal
Trade accounts payable	338,785	0	0	338,785	0	0	0	0	0	0
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-deriva-tive financial liabilities	87,877	0	0	64,045	0	0	12,231	0	0	11,601
Lease liabilities	480,886	8,295	0	77,038	6,781	0	72,726	15,488	0	300,558
Other financial liabilities	0	0	0	0	0	0	0	0	0	0

Financial liabilities 31.12.2020 – restated

In EUR '000s	Carrying amount	Cash flows 2021			Cash flows 2022			Cash flows 2023 and later		
	31.12. 2020	Interest fixed	Interest variable	Pay-ments of principal	Interest fixed	Interest variable	Pay-ments of principal	Interest fixed	Interest variable	Pay-ments of principal
Trade accounts payable	351,656	0	0	351,656	0	0	0	0	0	0
Liabilities to payment service providers related to trade accounts payable	27,667	0	0	27,667	0	0	0	0	0	0
Borrowings (liabilities to banks)	940,827	10,419	4,825	206,001	8,334	4,199	163,258	12,988	6,849	571,568
Other non-deriva-tive financial liabilities	100,379	0	0	63,438	0	0	24,907	0	0	12,034
Lease liabilities	536,661	4,134	0	81,075	3,685	0	76,040	10,310	0	361,417
Other financial liabilities	0	0	0	0	0	0	0	0	0	0

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 78.1 million euros, previous year: 134.1 million euros), a total of 1.7 million euros (previous year: 2.9 million euros) was expensed. 0.9 million euros (previous year: 1.6 million euros) of this amount concerns the default risk taken on from the bank (del credere discount and fees) and 0.8 million euros (previous year: 1.2 million euros) concern interest expenses from the late payment risk. As at the balance sheet date, receivables amounting to 60.5 million euros (previous year: 103.3 million euros) have been sold and derecognised but not yet paid for. The expenses of 10 thousand euros (previous year: 20 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 0.6 million euros (previous year: 1.0 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 5.3 million euros was incurred from the sale of receivables (previous year: 2.5 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	2021	2020
Revenue attributable to billing of services		
Joint ventures		
Jestoro GmbH, Hamburg	179	408
Antenne Deutschland GmbH & Co KG	5,656	1,005
Unconsolidated companies		
Bayern Digital Radio GmbH	446	424
Digital Radio Südwest GmbH	0	305
Hessen Digital Radio GmbH	949	901
Total	**7,230**	**3,043**

In EUR '000s	2021	2020
Expenses from the purchase of services		
Joint ventures		
Check Tech Service GmbH, Hamburg (subsidiary of Jestoro GmbH)	77	98
Antenne Deutschland GmbH & Co KG	196	0
Unconsolidated companies		
Bayern Digital Radio GmbH	98	108
Hessen Digital Radio GmbH	145	58
Total	**516**	**264**

The following significant receivables from and liabilities to related parties existed as at 31 December 2021:

In EUR '000s	31.12.2021	31.12.2020
Receivables from current service transactions		
Joint ventures		
Antenne Deutschland GmbH & Co KG	19	0
Jestoro GmbH, Hamburg	0	37
Total	**19**	**37**

In EUR '000s	31.12.2021	31.12.2020
Liabilities from current service transactions		
Joint ventures		
Antenne Deutschland GmbH & Co KG	18	0
Check Tech Service GmbH, Hamburg (subsidiary of Jestoro GmbH)	0	16
Total	**18**	**16**

Total remuneration of 435 thousand euros (previous year: 425 thousand euros) was granted to the employees' representatives on the Supervisory Board in financial year 2021.

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 an annual fixed salary, annual variable benefits, and benefits with a long-term incentive effect. There are also pension commitments. The annual variable benefits each result from an annual target agreement in which regularly determined figures indicating the freenet Group's significant financial and non-financial performance indicators are defined as individual targets. With regard to benefits with a long-term incentive effect, please refer to the explanations made in relation to the LTIP programmes in notes 25.2 (Programme 2), 25.3 (Programme 3) and 25.4 (Programme 4).

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 2021

In EUR '000s	Fixed benefits	Other variable benefits	Subtotal	Variable benefits with long-term incentive effect[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**

Executive Board benefits for 2020

In EUR '000s	Fixed benefits	Other variable benefits	Subtotal	Variable benefits with long-term incentive effect[1]	Total benefits[2]
Christoph Vilanek	1,015	1,739	2,754	783	3,537
Ingo Arnold	511	808	1,319	329	1,648
Stephan Esch	515	308	823	106	929
Rickmann v. Platen	512	308	820	188	1,008
Antonius Fromme	509	308	817	188	1,005
Total	**3,062**	**3,471**	**6,533**	**1,594**	**8,127**

[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 900 thousand euros (previous year: 1.216 thousand euros).

The composition of the variable benefits with long-term incentive effect was as follows:

Variable benefits with long-term incentive effect 2021

In EUR '000s	LTIP Programme Benefits from changes in provision (non-cash)	LTIP Programme Benefits from payments received	Total variable benefits with long-term incentive effect
Christoph Vilanek	1,484	0	1,484
Ingo Arnold	441	0	441
Stephan Esch	– 1,191	2,236	1,045
Rickmann v. Platen	749	0	749
Antonius Fromme	749	0	749
Total	**2,232**	**2,236**	**4,468**

Variable benefits with long-term incentive effect 2020

In EUR '000s	LTIP Programme Benefits from changes in provision (non-cash)	LTIP Programme Benefits from payments received	Total variable benefits with long-term incentive effect
Christoph Vilanek	783	0	783
Ingo Arnold	329	0	329
Stephan Esch	106	0	106
Rickmann v. Platen	188	0	188
Antonius Fromme	188	0	188
Total	**1,594**	**0**	**1,594**

On 26 February 2014, agreements concerning the contracts of employment that grant long-term variable salary components (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 contract 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 employment contracts 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 employment contracts 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 financial year 2021, cash payments of 2,236 thousand euros from the current LTIP programmes (Programmes 2, 3 and 4) for present Executive Board members related to Mr Vilanek (final payout under Programme 2). In the previous year, no cash payments were made to current Executive Board members out of the LTIP programmes.

As at 31 December 2021, the provision for the LTIP programmes amounted to 3,572 thousand euros (previous year: 2,088 thousand euros) for Mr Vilanek, 1,189 thousand euros (previous year: 748 thousand euros) for Mr Arnold, 1,012 thousand euros (previous year: 2,203 thousand euros) for Mr Esch, 1,422 thousand euros (previous year: 673) for Mr v. Platen and 1,422 thousand euros (previous year: 673 thousand euros) for Mr Fromme. For the former member of the Executive Board, Mr Preisig, cash payouts in the amount of 559 thousand euros were made in the previous year 2020 to terminate his LTIP Programme 2.

In 2021, 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 7,108 thousand euros (previous year: 6,533 thousand euros). This includes benefits with a long-term incentive effect in the amount of 1,832 thousand euros (previous year: 0 thousand euros) for 2021 from the granting of LTIP Programme 4 to Mr v. Platen and Mr Fromme.

Other variable remuneration in the previous year included recognition awards totalling 1.5 million euros for Mr Vilanek and Mr Arnold to acknowledge their exceptional performance in connection with preventing the acquisition of UPC Schweiz GmbH by Sunrise Communications Group AG in 2019 and selling the equity investment in Sunrise Communications Group AG to Liberty Global plc for approximately 1.1 billion euros.

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 Platen and Mr Fromme and on 1 January 2019 for Mr Arnold), with the pension benefits being reinsured by a life insurance policy.

As at 31 December 2021, the defined benefit obligation (DBO) for Mr Vilanek amounted to 7,247 thousand euros (previous year: 7,458 thousand euros) and for Mr Esch to 6,446 thousand euros (previous year: 6,469 thousand euros). The DBOs for Messrs Preisig, Krieger and Berger, as former Executive Board members, totalled 17,668 thousand euros as at 31 December 2021 (previous year: 18,641 thousand euros). Due to the nature of the selected commitment, there are no defined benefit obligations for Messrs Platen, Fromme and Arnold.

Current service costs of 900 thousand euros (previous year: 1,216 thousand euros) were recognised in total in personnel expenses for the members of the Executive Board as a result of the pension commitments. In 2021, Mr Vilanek accounted for 382 thousand euros (previous year: 569 thousand euros) of this amount, Mr Esch for 218 thousand euros (previous year: 347 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 2021” and “Executive Board benefits for 2020”.

In 2021, 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

34.3.1. Remuneration structure up to 31 December 2020

In accordance with the Articles of Association, the remuneration of the Supervisory Board applicable until 31 December 2020 consisted of three components:

- Basic remuneration
- Attendance fees
- Performance-related remuneration

The Supervisory Board's members received from the company fixed basic remuneration of 30,000 euros for each full financial year of their Supervisory Board membership.

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

In addition, every Supervisory Board member received an attendance fee of 1,000 euros for each Supervisory Board meeting that he/she attends. Supervisory Board members who were members of a Supervisory Board committee – with the exception of the committee constituted in accordance with section 27 (3) of the German Co-determination Act (Mitbestimmungsgesetz) – received an additional attendance fee of 1,000 euros for each meeting of the respective committee that they attend. The committee chairperson received double this amount.

After the end of each financial year, the Supervisory Board's members also received variable, performance-related remuneration in the amount of 500 euros for each 0.01 euros dividend in excess of 0.10 euros per no-par-value share in the company which was distributed to shareholders for the financial year ended. The amount of the remuneration was limited to the amount owed as fixed remuneration. The chairperson of the Supervisory Board received double this amount, the vice chairperson one-and-a-half times this amount.

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

34.3.2. Remuneration structure as of 1 January 2021

The main change compared with the remuneration arrangements in effect until 31 December 2020 is that only fixed remuneration components are now paid. The dividend-related and therefore variable remuneration component has been abolished. In the company's opinion, moving to exclusively fixed and activity-based Supervisory Board remuneration enables it to take account of the Supervisory Board's independent advisory and control function to an even greater extent and reinforces the independence of Supervisory Board members. As a result, it makes a contribution to the sustained performance of the company.

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

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

The Supervisory Board's members receive from the company fixed basic 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).

34.3.3. Remuneration for financial years 2021 and 2020

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 financial year 2021

In EUR '000s	Basic 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.

Remuneration for financial year 2020

In EUR '000s	Basic remuneration	Attendance fees	Perfor-mance-related remuneration	Total
Active members				
Prof. Dr. Helmut Thoma	60.0	12.0	60.0	132.0
Knut Mackeprang[1]	45.0	6.0	45.0	96.0
Claudia Anderleit[1]	30.0	5.0	30.0	65.0
Thorsten Kraemer	30.0	5.0	30.0	65.0
Marc Tüngler	30.0	9.0	30.0	69.0
Robert Weidinger	30.0	12.0	30.0	72.0
Sabine Christiansen	30.0	5.0	30.0	65.0
Thomas Reimann[1]	30.0	8.0	30.0	68.0
Fränzi Kühne	30.0	4.0	30.0	64.0
Theo-Benneke Bretsch[1]	30.0	4.0	30.0	64.0
Bente Brandt[1]	30.0	8.0	30.0	68.0
Gerhard Huck[1]	30.0	5.0	30.0	65.0
Total	**405.0**	**83.0**	**405.0**	**893.0**

[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 9 December 2021. 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 1,653 thousand euros in fees was paid to the auditor in accordance with section 314 (1) no. 9 HGB during financial year 2021. Of this figure, 1,121 thousand euros is attributable to auditing services (thereof 1,121 thousand euros for the current audit for 2021), 12 thousand euros is attributable to other assurance services (e.g. plausibility assessments regarding the covenants for the loan agreements and the attainment of targets of the Executive Board for the financial year ended), 482 thousand euros is attributable to other services (strategic consulting and IT security) and 38 thousand euros is attributable to tax advisory services. These consist mainly of tax advice on value added tax.

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
mobilcom-debitel GmbH, Büdelsdorf	100.00
mobilcom-debitel Logistik GmbH, Schleswig	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
mobilcom-debitel Shop GmbH, Oberkrämer	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	71.95
Synergy Networks GmbH, Leipzig	71.95
Taunus Beteiligungs GmbH, Cologne	100.00
MEDIA BROADCAST GmbH, Cologne	100.00
MEDIA BROADCAST Services GmbH, Cologne	100.00
Media Broadcast TV Services GmbH, Cologne	100.00
audio.digital NRW GmbH, Cologne [1]	100.00
Companies accounted for using the equity method	
Jestoro GmbH, Hamburg [2]	50.00
Antenne Deutschland GmbH & Co KG, Berlin	50.00
Bayern Digital Radio GmbH, Munich [3]	45.00

[1] Initial consolidation as of 1.11.2021
[2] Deconsolidation as of 2.7.2021
[3] Initial consolidation as of 1.1.2021

36. EVENTS OF MATERIAL IMPORTANCE AFTER THE REPORTING DATE

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 as an intangible asset 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 Executive Board of freenet AG on 12 January 2022 also decided with the approval of the Supervisory Board to extend the 2021 share buyback programme (2022 Share Buyback Programme). The programme started on 13 January 2022 and will run until 31 March 2022 at the latest. Under the 2022 Share Buyback Programme, up to 4.2 million of the company's shares (which equates to around 3.28 percent of the share capital of 128,061,016 euros) are to be repurchased through the stock market. The total volume of the 2022 Share Buyback Programme is up to 22.0 million euros.

37. DEVELOPMENT OF INTANGIBLE ASSETS, GOODWILL AND PROPERTY, PLANT AND EQUIPMENT

Development of intangible assets, goodwill and property, plant and equipment as at 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	
1.1.2021	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**

Development of intangible assets, goodwill and property, plant and equipment as at 31 December 2020

In EUR '000s	Cost						
	1.1.2020	Additions	Reclassi-fications	Disposals basis of consolida-tions	Disposals	Foreign currency	31.12.2020
Intangible assets							
Internally generated software	139,440	19,722	0	7,091	757	0	151,314
Software, licenses and right-of-use assets	181,308	29,552	1,203	9,224	9,898	0	192,941
Trademarks	345,247	0	0	3,879	0	0	341,368
Customer relationships	107,234	0	0	0	226	0	107,008
	773,229	**49,274**	**1,203**	**20,194**	**10,881**	**0**	**792,631**
Goodwill							
Goodwill	1,383,474	0	0	1,080	0	0	1,382,394
	1,383,474	**0**	**0**	**1,080**	**0**	**0**	**1,382,394**
Property, plant and equipment							
Land, property facilities and buildings	38,107	972	0	0	4,493	0	34,586
Switches and networks	928	0	0	0	256	0	672
Technical equipment and machinery	204,460	14,222	633	0	8,812	212	210,715
Other operating and office equipment	105,408	12,217	338	597	77,871	0	39,495
Prepayments made and assets under construction	2,323	1,621	– 2,174	0	18	0	1,752
	351,226	**29,032**	**– 1,203**	**597**	**91,450**	**212**	**287,220**
Total	**2,507,929**	**78,306**	**0**	**21,871**	**102,331**	**212**	**2,462,245**

Depreciation, amortisation and impairment								Carrying amounts	
1.1.2020	Additions	Impairments	Reclassi-fications	Disposals basis of consolida-tions	Disposals	Foreign currency	**31.12.2020**	**31.12.2020**	**1.1.2020**
94,858	14,351	208	0	5,891	749	0	102,777	48,537	44,582
112,594	35,836	0	337	9,223	9,897	0	129,647	63,294	68,714
44,493	673	0	0	3,879	0	0	41,287	300,081	300,754
19,406	5,018	0	0	0	226	0	24,198	82,810	87,828
271,351	**55,878**	**208**	**337**	**18,993**	**10,872**	**0**	**297,909**	**494,722**	**501,878**
0	0	0		0	0	0	0	1,382,394	1,383,474
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,382,394**	**1,383,474**
14,322	1,101	479	0	0	4,491	0	11,411	23,175	23,785
928	0	0	0	0	256	0	672	0	0
118,781	15,435	0	– 326	0	8,197	193	125,886	84,829	85,679
73,365	13,231	0	– 11	536	77,273	0	8,776	30,719	32,043
0	0	0	0	0	0	0	0	1,752	2,323
207,396	**29,767**	**479**	**– 337**	**536**	**90,217**	**193**	**146,745**	**140,475**	**143,830**
478,747	**85,645**	**687**	**0**	**19,529**	**101,089**	**193**	**444,654**	**2,017,591**	**2,029,182**

Büdelsdorf, 3 March 2022

freenet AG

The Executive Board

Christoph Vilanek	Ingo Arnold	Stephan Esch	Antonius Fromme	Rickmann v. Platen

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 at December 31, 2021, 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 January 1 to December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of of freenet AG for the financial year from January 1 to December 31, 2021. 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 at December 31, 2021, and of its financial performance for the financial year from January 1 to December 31, 2021, 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 January 1 to December 31, 2021. 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:

❶ Revenue recognition

❷ Recoverability of goodwill and intangible assets

❸ Recoverability of deferred tax assets on loss carryforwards

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:

❶ ***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 4 of the notes to the consolidated financial statements of freenet AG.

❷ ***Recoverability of goodwill and intangible assets***

① Goodwill of EUR 1,382.4 million (35.0% of consolidated total assets and 84.3% of Group equity) is reported under the "Goodwill" balance sheet item in the Company's consolidated financial statements. Assets amounting to EUR 458.9 million (11.6% of consolidated total assets and 28.0% of Group equity) are reported under "Intangible assets". The Company allocates goodwill to the cash-generating units within the freenet AG Group. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually or if there are indications of impairment. Intangible assets with finite useful lives are tested for impairment if there are indications of impairment. The impairment tests are carried out by comparing the carrying amounts of the cash-generating units or intangible assets 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 2025, 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 and intangible assets were 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 and intangible assets are contained in notes 15 and 16 to the consolidated financial statements.

❸ ***Recoverability of deferred tax assets on loss carryforwards***

① freenet AG's consolidated financial statements include deferred tax assets on loss carryforwards amounting to EUR 291.7 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 2025. 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 loss carryforwards 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 loss carryforwards. We also assessed the recoverability of the deferred tax assets on loss carryforwards, 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 loss carryforwards 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 pursuant to § 315b Abs. 1 HGB included in section 1.9 „Non-financial Statement“ of the group management report

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section 1.10 „Corporate Governance“ 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 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 disclosing, 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, the related safeguards.

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-2021-12-31.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 January 1 to December 31, 2021 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 (10.2021)) 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 June 18, 2021. We were engaged by the supervisory board on November 3, 2021. 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 published in the Federal Gazette – 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, 4 March 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Niklas Wilke
Wirtschaftsprüfer

(German Public Auditor)

sgd. ppa. Christian Simon
Wirtschaftsprüfer

(German Public Auditor)