Annual report 2022

Data & Facts

Selected Performance Indicators	2022	2021	Change	Q4 `22	Q4 `21	Change	Q3 `22	Q2 `22	Q1 `22
Profit (in €m)									
Revenues	3,963.7	3,909.7	1.4%	1,013.4	1,007.6	0.6%	998.3	976.1	975.9
Service revenues	3,175.4	3,123.4	1.7%	788.7	787.6	0.1%	804.8	792.8	789.1
Hardware and Other revenues	788.3	786.3	0.3%	224.7	220.0	2.1%	193.5	183.3	186.8
EBITDA	693.3	711.3	-2.5%	144.3	159.3	-9.4%	180.8	181.1	187.1
EBITDA operating	**693.3**	**671.9**	**3.2%**	**144.3**	**159.3**	**-9.4%**	**180.8**	**181.1**	**187.1**
EBIT	534.9	546.7	-2.2%	106.1	116.2	-8.7%	141.1	140.9	146.8
EBIT operating	**534.9**	**507.3**	**5.4%**	**106.1**	**116.2**	**-8.7%**	**141.1**	**140.9**	**146.8**
EBIT excluding PPA write-offs	598.6	634.3	-5.6%	107.3	140.4	-23.6%	161.3	162.1	167.9
EBIT operating excluding PPA write-offs	**598.6**	**594.9**	**0.6%**	**107.3**	**140.4**	**-23.6%**	**161.3**	**162.1**	**167.9**
EBT	531.5	535.1	-0.7%	107.3	105.1	2.1%	139.7	139.3	145.2
EBT operating	**531.5**	**495.7**	**7.2%**	**107.3**	**105.1**	**2.1%**	**139.7**	**139.3**	**145.2**
EBT operating excluding PPA write-offs	**595.2**	**583.3**	**2.0%**	**108.5**	**129.3**	**-16.1%**	**159.9**	**160.5**	**166.3**
Profit per share (in €)	2.08	2.10	-1.0%	0.40	0.38	5.3%	0.55	0.55	0.58
Profit per share operating (in €)	**2.08**	**1.94**	**7.2%**	**0.40**	**0.38**	**5.3%**	**0.55**	**0.55**	**0.58**
Profit per share excluding PPA write-offs (in €)	2.34	2.45	-4.5%	0.41	0.48	-14.6%	0.63	0.64	0.66
Profit per share operating excluding PPA write-offs (in €)	**2.34**	**2.29**	**2.2%**	**0.41**	**0.47**	**-12.8%**	**0.63**	**0.64**	**0.66**
Cash flow (in €m)									
Net inflow of funds from operating activities	180.6	432.0	-58.2%	3.9	192.6	-98.0%	-61.3	154.1	83.9
Net outflow of funds in investment sector	-97.4	-350.6	72.2%	59.4	-132.8	144.7%	63.6	-143.0	-77.4
Free cash flow	-64.5	394.8	-116.3%	-157.8	175.9	-189.7%	-93.5	124.2	62.6

	31/12/2022	31/12/2021	Change	31/12/2022	31/12/2021	Change	30/09/2022	30/06/2022	31/03/2022
Headcount (incl. management board)									
Total per end of December	3,163	3,167	-0.1%	3,163	3,167	-0.1%	3,189	3,145	3,155
Customer contracts (in millions)									
Access, contracts	15.78	15.43	2.3%	15.78	15.43	2.3%	15.65	15.55	15.49
of which mobile internet	11.68	11.19	4.4%	11.68	11.19	4.4%	11.52	11.38	11.28
of which broadband (ADSL, VDSL, FTTH)	4.10	4.24	-3.3%	4.10	4.24	-3.3%	4.13	4.17	4.21
Balance Sheet (in €m)									
Short-term assets	1,855.2	1,898.8	-2.3%	1,855.2	1,898.8	-2.3%	2,054.8	2,149.5	1,946.9
Long-term assets	5,401.9	5,164.9	4.6%	5,401.9	5,164.9	4.6%	5,252.0	5,258.7	5,143.5
Shareholders' equity	5,579.8	5,219.2	6.9%	5,579.8	5,219.2	6.9%	5,509.0	5,410.6	5,321.4
Balance sheet total	7,257.1	7,063.7	2.7%	7,257.1	7,063.7	2.7%	7,306.9	7,408.2	7,090.4
Equity ratio	76.9%	73.9%		76.9%	73.9%		75.4%	73.0%	75.1%

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To Our Shareholders

Letter from the Management Board

Dear Shareholders,

1&1 can look back on a successful financial year 2022. Once again, we were able to increase our customer base, operating EBITDA and service revenue.

The number of customer contracts rose by 350,000 to 15.78 million contracts (31/12/2021: 15.43 million). The growth came from 490,000 new mobile internet contracts (+650,000 in operating growth less 160,000 contracts from the impact of the Telecommunications Act [TKG]), resulting in growth to a total of 11.68 million contracts at the end of 2022. Simultaneously, the number of broadband lines decreased by 140,000 contracts (-50,000 operating and about -90,000 contracts because of the TKG effect) to 4.10 million.

The high-margin service revenues in financial year 2022 increased by €52.0 million (1.7 percent) to €3.175 billion (2021: €3.123 billion) in 2022. Total revenue increased by €54.0 million (1.4 percent) to €3.964 billion (2021: €3.910 billion).

Other sales revenues included in this figure – essentially from the realisation of hardware sales brought forward (in particular from investments in smartphones that will be reimbursed by the customers over the minimum contract term in the form of higher package prices) – amount to €788.3 million and are at a similar level to the comparable period of the previous year (2021: €786.3 million). Hardware business fluctuates seasonally and its development depends heavily on the attractiveness of new devices and the model cycles of manufacturers.

Consolidated EBITDA (earnings before interest, taxes, depreciation and amortisation) declined in financial year 2022 slightly by €18.0 million (2.5 percent) to €693.3 million (2021: €711.3 million). The EBITDA of the previous year included €39.4 million in out-of-period income related to the terms and conditions of the new national roaming agreement and applicable retroactively to our MBA MVNO agreement from 1 July 2020 as well, which represented a retroactive correction of wholesale prices for financial year 2020. Excluding this out-of-period income, the comparable operating EBITDA 2021 was €671.9 million, resulting in an comparable increase of €21.4 million (3.2 percent) over the same period of the previous year. The EBITDA in the segment "1&1 Mobile Network" contributed €-52.4 million (2021: €-37.9 million) to the result. This figure results above all from the expenditures for the rollout of the 1&1 mobile network. The "Access" business segment accounts for €745.7 million (2021: €709.8 million).

Profit per share in financial year 2022 came to €2.08 (previous year: €1.94, excluding out-of-period income). Precluding the effects of the PPA write-offs, the profit per share amounted to €2.34 (previous year: €2.29, excluding out-of-period income).

Free cash flow in 2022 amounted to €-64.5 million (2021: €394.8 million). Compared to the previous year, investments above all increased to €249.4 million, in particular due to the construction of our mobile network. Comparably to the previous year, the free cash flow includes advance payments related to our FTTH / VDSL contingent contract. The other fluctuations in free cash flow are mainly settlement-related or are of a one-off nature.

In addition to the operating business, financial year 2022 was marked in particular by the construction of our mobile network based on the innovative OpenRAN technology. Important milestones have already been reached. After the friendly user test in the summer demonstrated high performance values as expected, we launched the first OpenRAN in Europe on schedule in December 2022 with the "1&1 5G at Home" service – a landline network product realised by a wireless network. A major technological feat that demonstrates how innovative mobile networks can be built today and an important first step in the rollout of Germany's fourth mobile network.

Mobile services will be activated as scheduled in summer 2023. At that time, Telefónica will provide us with the national roaming service that they are developing parallel to our network rollout, which will enable us to offer to our customers full-area reception even during the network rollout phase. We will also reliably provide mobile services to our customers when they are abroad. This was assured when we entered into a long-term partnership with Orange for the provision of global international roaming services in November 2022.

More than 500 regional edge data centres are being built across Germany in the immediate vicinity of the antenna locations, connected using optic fibre and equipped with gigabit antennas – the 1&1 OpenRAN network. This is an enormous task, but it represents the future. Solely this completely cloud-based network architecture can provide the short transmission paths that are indispensable for real-time applications. Clearly defined, standardised interfaces also enable us to collaborate flexibly with the most secure and best manufacturers on the market. We are the only German network operator that is independent of dominant network equipment suppliers such as Huawei.

The successful product launch demonstrated that our 1&1 OpenRAN is fully functional. Moreover, we have also made good progress in the expansion of decentralised data centres and fibre optic lines in recent months. The task now is to increase gradually the number of antenna sites.

After our most important expansion partner in terms of volume for the antenna sites surprised us in September 2022 with the news that it would not be able to fulfil its contractual obligations on time, we redesigned the rollout process and tightened up the contracts. We engaged Eubanet, that joined ATC, Vantage Towers and GfTD as another well-known partner, for the acquisition of as many as 7,500 antenna sites in December 2022. Together with our four expansion partners, we will do everything in our power to expand our passive network infrastructure as well as quickly as possible.

We now expect to reach the first interim target of 1,000 antenna sites in the course of this year. We remain confident that we will achieve coverage of 50 percent of German households before the end of 2030 – with the unequivocal goal of advancing Germany in 5G technology.

In the broadband sector, we established key prerequisites for the further course of our activities and significantly expanded our fibre optic offering in 2022. In the meantime, we can access Deutsche Telekom's fibre optic home lines for active marketing. We obtain the broadband wholesale services from a single source – our affiliate 1&1 Versatel – whose nationwide transport network is already largely connected to the regional broadband networks of Deutsche Telekom.

Numerous awards in recent months have once again provided impressive proof of our position as a leading provider whose customers are fully convinced by its high-performance products and – above all – its quality and service. 1&1 was honoured as the test winner of the "Broadband Check" conducted by the respected trade journal connect in the user profiles "Normal Users" and "Business Users". PC-Magazin confirmed this standing in its annual "Broadband Benchmark", during which 1&1 claimed the "Test Winner" honours in 2022. In addition, 1&1 took the overall victory in the "connect Kundenbarometer Mobilfunk B2B ahead of Vodafone, Telefónica and Deutsche Telekom and again posted a rating of "Excellent" in the magazine's renowned landline network test (issue 8/2022).

No other telecommunications company in Germany is recommended as frequently to families, friends and acquaintances as 1&1. This is the result of the recommendation ranking by Focus Money magazine, in which 1&1 achieved the highest recommendation rate in the Telecommunications category in 2022. In the same vein, 1&1 achieved the second-highest ranking overall among all 1,355 companies from 81 industries that were surveyed. We are especially delighted to receive this recognition.

In addition, we received another two awards based on extensive customer surveys: one is the title of "Fairest Internet Provider" awarded by the German Institute for Service Quality and the news channel ntv for which more than 65,000 customer votes were collected, and the other is the clear overall win in the ranking of "Best Internet Provider in the GAS Region" from PC-Magazin in cooperation with the Professional Institute for Technology Topics (FifT). We are proud of these results, and they are an incentive for us to raise our aspirations of product performance capability, quality and service to an ever loftier level in the future.

We expect around 500,000 new customer contracts in fiscal year 2023. Service revenue is expected to increase by around 2 percent to approximately €3.23 billion (2022: €3.175 billion) and EBITDA by around €655 million (2022: €693.3 million). The „Access" segment, with growth of around 4 percent to approximately €775 million (2022: €745.7 million), and the „1&1 Mobile Network" segment, with start-up costs for the construction of the 5G network, will contribute approximately € - 120 million (2022: € - 52.4 million). The investment volume (cash capex) is expected to be around €320 million (2022: around €250 million).

1&1 is well positioned for the next steps in the Company's development. We are optimistic about the future. We want to express our special thanks to all of our employees for their commitment and work and to our shareholders and business partners for the trust they have placed in 1&1.

Best regards from Montabaur,

Ralph Dommermuth	Markus Huhn	Alessandro Nava

Montabaur, March 2023

Management

Ralph Dommermuth, Chief Executive Officer

In 1988, Ralph Dommermuth, born in 1963, founded 1&1 EDV Marketing GmbH, the company that was to grow into what is today United Internet AG. His initial business was the provision of systematised marketing services to small software providers. He later developed additional marketing services for large customers such as IBM, Compaq and Deutsche Telekom. When acceptance of the internet began to accelerate, Ralph Dommermuth gradually cut back on these marketing services for third parties and began to build up his own internet services and direct customer relationships. In 1998, the trained banker managed the IPO of 1&1, which was the first internet company on the Frankfurt stock exchange. In 2000, Ralph Dommermuth restructured 1&1 into United Internet AG and developed the company into one of the leading internet specialists in Europe. Mr Dommermuth has also been Chief Executive Officer of 1&1 AG since 1 January 2018.

Markus Huhn, Chief Financial Officer

Markus Huhn began his professional career in financial controlling at DLW Group in 1990; he simultaneously enrolled in advanced training courses and obtained certification in business administration from an academy of administration and economics (VWA). In July 1994, he moved to1&1 Holding GmbH to become financial controller. From 1998 to 2007, he was commercial director of 1&1 Internet AG and guided the corporation's growth strategy. Markus Huhn held the position of CFO at 1&1 Internet in thetime between 2008 and 2012, and in this role he guided the business sectors Access and Business and Consumer Applications. In addition, he was in charge of the central finance departments, which operate as shared services within United Internet Group. He has been a member ofthe 1&1 Telecommunication SE Management Board since 2013 and is head of the division Finances for the business unit Access. He has been a member of the 1&1 AG Management Board since 1 July 2019.

Alessandro Nava, Chief Operations Officer

studied business administration at Heinrich-Heine-Universityin Düsseldorf, earning a degree as a certified merchant(Dipl.-Kaufmann) with a special focus on marketing and financial controlling in 1997. Mr Nava began his professional career as a consultant for KPMG Consulting GmbH. As of 2000, he held the position of senior head of department, initially in landline and later in combined landline / mobile services business, at Vodafone Germany (Vodafone GmbH). His progress took him through several different business sections of the company; for instance, he was in charge of IT requirements management & business analysis, customer care and product development and was responsible for the online platforms. Following the merger of the landline and mobile services business, Mr Nava was in charge of the company's IT development as well as other areas. Since March 2014, Mr Nava has been the head of the division «Technology and Development» (CIO) at 1&1 Telecommunications SE. Since September 2018, he has been in charge of the division «Product Management». He has been a member of the Management Board of 1&1 AG (COO) since 1 July 2019.

Report of the Supervisory Board

Supervisory Board Members in Financial Year 2022

- **Kurt Dobitsch**
  (since 16 October 2017),
  Supervisory Board Chairman (since 16 March 2021)

- **Kai-Uwe Ricke**
  (since 16 October 2017),
  Supervisory Board Deputy Chairman (since 13 November 2017)

- **Matthias Baldermann**
  (since 26 May 2021)

- **Dr. Claudia Borgas-Herold**
  (since 12 January 2018)

- **Vlasios Choulidis**
  (since 12 January 2018)

- **Norbert Lang**
  (since 12 November 2015)

In financial year 2022, the Supervisory Board of 1&1 AG fulfilled the duties and responsibilities assigned to it by legal statutes, the articles of association and by-laws and rules of procedure; the Board regularly advised the Management Board in the latter's leadership of the Company and monitored its management of the Company's business. The Supervisory Board was at all times able to determine the legality, expediency and correctness of the Management Board's work. The Supervisory Board was directly involved in all decisions that were of fundamental significance for the Company. The Management Board regularly instructed the Supervisory Board, in writing as well as orally, comprehensively and contemporaneously (during periods between meetings as well), regarding all relevant questions of strategy and the related opportunities and risks, corporate planning, development and course of business, planned and ongoing investments and the Group's position, including risks and risk management and the internal controlling and compliance system. The Company's strategic orientation is determined by Management and Supervisory Boards in joint consultation. The Management Board submitted a comprehensive report on the course of business, including revenue development and profitability, the Company's position and its business policies to the Supervisory Board at quarterly intervals. The reports included as well information about any aberration in the course of business from planning. The Management Board's reports satisfied the requirements of legal statutes, good corporate governance and the instructions issued to it by the Supervisory Board with respect to both subject matter and scope. The reports were made available to all Supervisory Board members.

The Supervisory Board reviewed the reports submitted by the Management Board and all other information with respect to plausibility; the materials were the subject of intensive discussions, critical examination and in-depth questions. The Supervisory Board gave its consent to specific business transactions if and when this was required by legal statutes, by-laws or rules of procedure for the Management Board.

The Supervisory Board regularly received reports from the Management Board concerning the internal controlling system, the group-wide risk management, the compliance system and the internal auditing system that had been implemented by the Management Board. Based on its reviews, the Supervisory Board has come to the conclusion that the internal controlling system, the group-wide risk management, the compliance system and the internal auditing system are effective and functional.

Supervisory Board activities, meetings

A total of four meetings of the full Supervisory Board were held in the reporting period 2022. All four sessions were held in hybrid form.

In addition to the regular reporting required by legal statutes, the following subjects in particular were discussed and reviewed intensively:

- The separate and consolidated annual financial statements as at 31 December 2021
- Revenue and earnings planning 2022 of the Company
- Planning of the investment projects in the corporate group for financial year 2022
- The deliberations and planning for a 5G mobile network
- The deliberations and planning for contracts with a tower company for the network construction and rollout of a 5G mobile network
- The Supervisory Board’s report to the Annual General Meeting for financial year 2021, the updating of the Declaration of Conformity pursuant to the German Corporate Governance Code, the Declaration on Corporate Management
- The adoption of resolutions concerning the Company’s revenue and earnings planning for 2023 and the planning of expenses and investments for the 5G mobile network

- The announcement, the agenda and proposals for the adoption of resolutions for the Annual General Meeting 2022
- The adoption of the resolution regarding the Management Board's proposed allocation of profits
- The proposal to the Annual General Meeting for the disbursement of dividends
- The audit planning and the quarterly reports of Internal Audit
- Monitoring of the effectiveness of the implemented compliance system
- Quarterly reports on risk management and risk management strategy
- Monitoring of the effectiveness of the internal controlling system that has been implemented
- Dependency Report 2021, review and approval of the Dependency Report 2021
- Corporate development during the year
- The review of the independence of PricewaterhouseCoopers GmbH and the acting persons, including the additional services provided, and the coordination with the auditors Ernst & Young elected for financial year 2021 on the focal points of the audit
- Adoption of a resolution regarding the Sustainability Report

Work in the Audit and Risk Committee, meetings

The Audit and Risk Committee supports the Supervisory Board in monitoring accounting and the integrity of the accounting process as well as the effectiveness and functionality of the internal control system (ICS), the risk management system, the compliance system and the internal auditing system. It also supports the Supervisory Board in monitoring the audit of the financial statements, the services provided by the auditors, the audit fees and the additional services provided by the auditors.

The Audit and Risk Committee deals in depth with the annual financial statements and consolidated financial statements, the combined management report for the Company and the Group, the non-financial statement and the non-financial Group statement, and the Executive Board's proposal for the appropriation of net income.

The committee is responsible for the invitation to tender for the audit of the financial statements, in particular for compliance with the formal requirements, evaluation of the tender offers and participation in the presentation of the candidates, and preparation of a proposal to the Supervisory Board.

It discusses with the Board of Management and the auditors the audit reports, the audit process, the main points and methodology of the audit, and the audit results, also with regard to the internal control system in relation to the accounting process, and makes recommendations to the Supervisory Board. It regularly assesses the quality of the audit. It discusses the quarterly reports and the half-year financial report with the Executive Board prior to their publication.

The Audit and Risk Committee also deals intensively with the internal control system, the Groupwide risk management system, the internal auditing system and the compliance management system and is tasked in particular with reviewing the effectiveness and functionality of the systems.

The Audit and Risk Committee also prepares the negotiations and resolutions of the Supervisory Board for the election proposal of the auditor to the Annual General Meeting and decisions on corporate governance issues, and also decides on the approval of significant transactions with related parties in accordance with Section 111b (1) of the German Stock Corporation Act (AktG).

In 2022 the Audit and Risk Committee also dealt in particular with the self-evaluation carried out this year:

- the self-assessment carried out this year,
- the ICS project,
- the amendments to the GCGC
- and stock corporation and capital market law for Supervisory Board members at a workshop with external support.

The Chairman of the Audit Committee regularly reports to the full Supervisory Board on the activities of the Audit Committee. In the event of significant events and findings by the Audit Committee, he informs the Chairman of the Supervisory Board without delay.

The Audit and Risk Committee held three ordinary meetings in the 2022 financial year, each of which was attended by all three members. Some of the meetings of the Audit and Risk Committee were held by telephone or video.

In addition to these regular meetings, numerous other meetings and workshops were held, in which individual members of the committee went through the topics assigned to them together with employees of the company in order to have the above-mentioned control systems explained to them and then to derive measures from them with the aim of continuously improving the control systems.

Personnel changes on the Management Board and Supervisory Board

There were no changes in the membership of the Management Board during financial year 2022. Members of the Management Board are Messrs Ralph Dommermuth (CEO), Markus Huhn and Alessandro Nava.

There were also no changes in the membership of the Supervisory Board during financial year 2022.

In accordance with section 96(1), section 101(1) Stock Corporation Act [*Aktiengesetz; AktG*] and section 10(1) of the Company articles of association and by-laws, the Supervisory Board consisted of six members in financial year 2022 and corresponds in its competence profile to its previous and current targets; in particular, the memberships of Messrs Kurt Dobitsch, Kai-Uwe Ricke and Matthias Baldermann satisfy the requirement of a minimum of two independent members on the Board. The proportion of women on the Supervisory Board in financial year 2022 came to 16.66 percent. Supervisory Board chairman in the reporting period 2022 was Mr Kurt Dobitsch, and Mr Kai-Uwe Ricke was Supervisory Board deputy chairman.

Members of the Audit and Risk Committee in financial year 2022 were once again Mr Nobert Lang, Mr Kurt Dobitsch and Ms Claudia Borgas-Herold. Mr Nobert Lang continued to chair the committee.

Corporate Governance

All members took part in the total of four meetings of the Supervisory Board.

Pursuant to D. 12 of the German Corporate Governance Code [*Deutscher Corporate Governance Kodex; DCGK*], the Company is expected to provide reasonable support to the members of the Supervisory Board when they take office and to offer training and advanced education measures.

A successful "onboarding" procedure means providing a new Supervisory Board member with all necessary documents in the form of an introductory and individually compiled information package. In addition, there is an introductory meeting on the most important processes and procedures and individual discussions with the Supervisory Board chairman and CFO in the form of coordination meetings.

Support in the form of training and advanced education measures is guaranteed and ensured in particular through the provision of information material on current topics, both at regular intervals and as required by specific circumstances, and external advanced education events.

In accordance with Recommendation D.13 of the DCGK, the Supervisory Board regularly assesses the effectiveness of the performance of its duties as a whole and of the Audit and Risk Committee. The review takes the form of a self-assessment based on questionnaires and is conducted approximately every two years. The results of the survey are evaluated anonymously and subsequently discussed in a plenary session. The Board acts on any need for improvement that is revealed during the process.

Moreover, the assessments are used as a basis for a positive further development of the Board's work.

The Supervisory Board did not conduct any talks with investors during the reporting period.

Supervisory Board member Dr Claudia Borgas-Herold was simultaneously a member of the United Internet AG Supervisory Board until 22 August 2022. Dr Borgas-Herold has been a member of the Supervisory Board of IONOS Group SE since 6 September. No conflict of interest requiring attention has arisen for this Supervisory Board member. If necessary, the Supervisory Board members consult the Supervisory Board chairman about the handling of any conflicts of interest that arise.

Management Board and Supervisory Board report on corporate governance pursuant to C.22 of the German Corporate Governance Code within the scope of the Declaration on Corporate Management. Management Board and Supervisory Board issued a joint Declaration of Conformity pursuant to section 161 AktG during the reporting period, most recently on 5 December 2022, showing that the Company is in compliance with most of the recommendations of the German Corporate Governance Code. The declarations and related explanatory comments are permanently available to the shareholders on the Company's internet site. In all other respects, reference is made to the remarks in the Declaration on Corporate Management 2022.

Discussion of separate and consolidated annual financial statements 2022

The separate annual financial statements and the consolidated annual financial statements as at 31 December 2022, the report on the position of the Company and Group (including the explanatory report on the disclosures pursuant to section 289a(1) and section 315(2a) HGB) and the accounting and risk management system, prepared and submitted in good time by the Management Board, were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, the accounting firm elected by the Annual General Meeting on 18 May 2022 for this task, and an unqualified auditor's opinion was issued to the documents.

The separate and consolidated annual financial statements, the report on the position of the Company and the Group and the related audit reports from the auditor were submitted to all of the Supervisory Board members. Focal points of the auditor's engagement were in particular the key audit matters (KAM), which included the following points (among others): for the consolidated annual financial statements, the realisation of earnings and the recoverability of goodwill and the 5G frequencies; for the separate annual financial statements of 1&1 AG, the recoverability of the financial assets.

The preliminary financial statement documents were reviewed and discussed at a meeting of the Supervisory Board on 28 March 2023 in the presence of the auditor. At this meeting, the auditors reported on the preliminary key findings of their audit, explained them and answered the questions of the members of the Supervisory Board in detail. The discussion focused in particular on the results of the audit with regard to the defined key audit areas and the accounting processes. The internal control system, the risk report and the risk management system were discussed in detail with the auditor at the Supervisory Board meeting on 28 March 2023. With regard to the existing early risk identification system, the auditor stated that the Executive Board had taken the measures required under section 91 (2) of the German Stock Corporation Act (AktG), in particular to set up a monitoring system, in an appropriate manner and that the monitoring system is suitable for the early identification of developments that could endanger the continued existence of the Company. Following its own examination, the Supervisory Board concurred with the results of the audit by the auditors and raised no objections following the final results of its own examination. The Supervisory Board approved the annual financial statements and the consolidated financial statements 2022 by resolution of 29 March 2023 at its further meeting. The annual financial statements have thus been adopted in accordance with section 172 of the German Stock Corporation Act (AktG). At its meeting on 29 March 2023, the Supervisory Board also approved the compensation report and dependency report adopted by the Executive Board.

Review of the Management Board's report on relationships to affiliated companies

The Management Board submitted the report it had prepared on the relationships to affiliated companies (Dependency Report) for financial year 2022 to the Supervisory Board in good time.

The Management Board's report on the relationships to affiliated companies was the subject of the audit by the auditor. The following auditor's opinion was issued in this context:

Following our conscientious audit and assessment, we hereby confirm that:

1. The factual contents of the report are correct;

2. The performance of the Company was not unreasonably high in view of the legal transactions described in the report;

3. No circumstances indicate an assessment differing essentially from that of the Management Board for the actions described in the report.

The auditor submitted the audit report to the Supervisory Board. The Supervisory Board reviewed the Management Board's Dependency Report and the audit report. The final review by the Supervisory Board took place during the Supervisory Board meeting on 29 March 2023. The auditor attended the meeting and reported on its audit of the Dependency Report and its key audit results, explained its audit report and answered questions about the report and the Sustainability Report from the Supervisory Board members. In accordance with the concluding results of its audit, the Supervisory Board accepts the Management Board's Dependency Report and audit report and does not have any objections to the Management Board's explanations at the conclusion of the report concerning the relationships to affiliated companies.

The Supervisory Board wishes to express its thanks to the members of the Management Board and to all of the Company's associates for their successful commitment to 1&1 Group in the past financial year, just as in previous years. Our special thanks go to our customers and shareholders for the trust they have placed in the Company.

Montabaur, 29 March 2023

On behalf of the Supervisory Board
Kurt Dobitsch

Declaration on Corporate Governance

Principles of corporate governance

The corporate governance of 1&1 AG as a listed German stock corporation is determined primarily by the Stock Corporation Act [*Aktiengesetz; AktG]* and by the requirements of the German Corporate Governance Code (DCGK).

The term corporate governance stands for responsible management and control of companies oriented to long-term added value. Efficient cooperation between Management and Supervisory Boards, respect for shareholders' interests and openness and transparency in corporate communication are essential aspects of good corporate governance.

The Management and Supervisory Boards of 1&1 AG consider it their duty to ensure the continued existence of the Company and sustainable added value through responsible corporate governance oriented to the long term.

The following report issued by the Management and Supervisory Boards contains the "Declaration on Corporate Governance" pursuant to section 289f Commercial Code [*Handelsgesetzbuch; HGB*] for the separate Company and pursuant to section 315d HGB for the corporate group and in accordance with Principle 22 of the German Corporate Governance Code.

Management and corporate structure

Consistent with its legal form, 1&1 AG has a two-tier management and supervisory structure with the governing bodies Management Board and Supervisory Board. The third governing body is the Annual General Meeting. The governing bodies are obliged to act in the best interests of the Company.

Management Board

Working methods of the Management Board

The Management Board is the managing body of the Group. It consisted of three persons in financial year 2022 (Mr Ralph Dommermuth, Mr Markus Huhn and Mr Alessandro Nava). Term of office for the current Management Board members is five years. Shorter terms of only three years are being considered for initial appointments. It shall be assessed in each individual case which order duration within the legally permissible order duration appears appropriate. The Management Board conducts the Company's affairs in accordance with statutory provisions and the articles of association, the rules of procedure adopted by the Supervisory Board and the pertinent recommendations of the German Corporate Governance Code insofar as no exceptions have been declared in accordance with section 161 AktG.

The Management Board is responsible for preparing the interim and annual financial statements and for filling key personnel positions in the Company. Moreover, it systematically defines and analyses the risks and opportunities for the Company associated with social and environmental factors along with the ecological and social impacts of the Company's activities. In addition to long-term economic goals, the corporate strategy also gives appropriate consideration to ecological and social goals. Corporate planning includes both the financial and sustainability-related targets. Further information on sustainability can be found on the company's website at www.1und1.ag/the-company#nachhaltigkeit.

Decisions of fundamental importance require the approval of the Supervisory Board. The Management Board reports to the Supervisory Board in accordance with the legal provisions of section 90 AktG and provides the chairperson of the Supervisory Board with an overview of the current status of the reporting items viewed as relevant in accordance with section 90 AktG at least once a month orally and also, at the request of the Supervisory Board chairperson, in writing. The chairperson or spokesperson of the Management Board or the chief financial officer informs the Supervisory Board chairperson without delay of any important events that are of significance for the assessment of the situation, development and the management of the Company. Any significant deviation from the Company's budgetary planning or other forecasts is also considered to be an important event. The chairperson or spokesperson of the Management Board or the chief financial officer also informs the Supervisory Board chairperson (in advance if possible, otherwise immediately thereafter) of any ad hoc announcement of the Company pursuant to Art. 17 of the Market Abuse Regulation [*MAR*].

There is an age limit of 70 for the members of the Management Board. This requirement is currently met without exception.

The Management Board has overall responsibility for the management of the Company's business in accordance with uniform objectives, plans and guidelines. The Management Board's overall responsibility notwithstanding, each and every member of the Management Board acts on his / her own responsibility in the purview assigned to him / her, but is required to subordinate the interests of his / her purview to the overall good of the Company.

The allocation of duties within the Management Board is regulated by the Supervisory Board in a business allocation plan proposed by the Management Board.

The Management Board members inform one another about important events within their purviews. Matters of major importance that are not approved in the budget must be discussed and decided by a minimum of two members of the Management Board, one of whom must be the chief financial officer.

Irrespective of their responsibility to their own purviews, all members of the Management Board constantly monitor the events and data that are decisive for the course of business of the Company so that they are able to work at any and all times towards the prevention of impending harm and the implementation of desirable improvements or expedient changes by addressing the full Management Board or in any other appropriate manner.

The full Management Board adopts decisions regarding any and all matters that are of particular importance and scope for the Company or its subsidiaries and its participating interests.

The Management Board as a whole adopts its decisions by a simple majority of votes. In the event of a tie, the Board chairperson casts the deciding vote. Management Board decisions are recorded in the minutes of the meeting.

The full Management Board meets every fortnight as a rule; further meetings are convened as required by circumstances.

Each member of the Management Board is required to disclose any conflicts of interest to the Supervisory Board and the chairperson or spokesperson of the Management Board without delay and as appropriate to the other members of the Management Board as well.

Current membership of the Management Board

There were three members of the 1&1 AG Management Board in financial year 2022:

- Ralph Dommermuth, CEO
- Markus Huhn, Chief Financial Officer
- Alessandro Nava, Chief Operations Officer

Supervisory Board

Working methods of the Supervisory Board

The Supervisory Board elected by the Annual General Meeting consisted of six members in financial year 2022. The Supervisory Board will be newly elected at the Annual General Meeting in May 2023 as the term of office of the current members will end at the close of the Annual General Meeting that adopts a resolution discharging the members for financial year 2022. As a rule, the term of office of the Supervisory Board members is five years.

The Supervisory Board maintains regular contact with the Management Board and monitors and advises the Management Board in the management of the business and of the risks and opportunities of the Company in accordance with statutory provisions, the articles of association, the rules of procedure and the pertinent recommendations of the German Corporate Governance Code (insofar as no exception has been declared in accordance with section 161 AktG). These activities include in particular questions relating to sustainability.

At regular intervals, the Supervisory Board discusses with the Management Board any and all questions of strategy and its implementation, planning, business development, risk situation, risk management and compliance that are relevant to the Company. It discusses quarterly releases and semi-annual reports with the Management Board prior to their publication and approves the annual budget. It reviews the separate and consolidated annual financial statements and approves the financial statements if no cause for objection is found. Its review takes into account the audit reports of the auditor.

The Supervisory Board's responsibilities also include the appointment of the members of the Management Board, the determination of the Management Board's remuneration and the regular review of the remuneration in compliance with the pertinent legal provisions and the recommendations of the German Corporate Governance Code insofar as no exception has been declared pursuant to section 161 AktG.

When appointing Management Board members, the Supervisory Board strives for a diversified and mutually complementary membership that can offer the best possible service to the Company and carefully considers long-term succession planning. Above all, experience and knowledge of the industry as well as professional and personal qualifications play an important role.

As part of the long-term succession planning, the Supervisory Board, with the involvement of the Management Board, regularly examines highly qualified executives who are potential candidates for Management Board positions.

The Supervisory Board as a whole along with the Audit and Risk Committee regularly conducts an efficiency review within the framework of a self-assessment. In accordance with Recommendation D.12 of the German Corporate Governance Code, the Supervisory Board and the Committee assess the effectiveness of the performance of their duties as governing bodies. The review takes the form of a self-assessment based on questionnaires and is conducted approximately every two years. The results of the assessment are evaluated anonymously and subsequently discussed in a plenary session. The need for improvement that is revealed during the process is taken up and implemented during the year.

The last self-assessment of the Audit and Risk Committee was conducted and analysed in the fourth quarter in 2022. The efficiency review included various focal points, starting with the topic of working methods, the topic of size and structure, and ending with the topic of activity. The result of the self-assessment confirms a good and open exchange within the Audit and Risk Committee, as well as a trusting and collegial cooperation with the auditor, the Executive Board and the corporate departments. The professional cooperation is reflected, for example, in the receipt of well-prepared documents / information that is always provided appropriately and on time. Therefore, the detailed analysis reveals that the Committee's activities can be regarded as efficient.

The Supervisory Board members assume on their own initiative responsibility for any training and advanced training measures required for their tasks, and their actions are appropriately supported by the Company.

A meeting of the Supervisory Board is convened at least twice in every calendar half-year. Meetings of the Supervisory Board are convened by written announcement from the chairperson issued at least 14 days in advance.

The agenda must be included with the convocation announcement. If an agenda has not been properly announced, resolutions may be adopted solely if and when no Supervisory Board member objects before the vote on the resolution.

As a rule, Supervisory Board resolutions are adopted during in-person meetings. However, it is permissible for Supervisory Board meetings to be held as video or telephone conferences or for individual members of the Supervisory Board to participate in otherwise in-person meetings via video or telephone transmission; in such cases, the adoption of resolutions or voting procedures are also conducted via video or telephone. Meetings are chaired by the Supervisory Board chairperson. Outside of meetings, resolutions may also be adopted by other means (e.g. by phone or by email) on the chairperson's instruction provided that no member objects to this procedure.

The Supervisory Board has a quorum if and when the meeting has been properly announced to all members and a minimum of three members participate in the vote on the adoption of the resolution. A member participates in a vote on a resolution even if he / she abstains.

Supervisory Board resolutions are adopted by a simple majority unless otherwise mandated by law.

Minutes of the proceedings and resolutions of the Supervisory Board are recorded in writing.

The Supervisory Board chairperson is authorised to submit on behalf of the Supervisory Board any and all declarations of intent required to implement the Supervisory Board resolutions.

Furthermore, it is pointed out that the member of the Supervisory Board Mr. Kurt Dobitsch has expertise in the field of accounting and the member of the Supervisory Board Mr. Norbert Lang has expertise in the field of auditing within the meaning of Section 100 (5) AktG.

The Audit and Risk Committee supports the Supervisory Board in monitoring the accounting and the integrity of the accounting process as well as the effectiveness and functionality of the internal control system, the risk management system, the compliance system and the internal audit system. Furthermore, it supports the Supervisory Board in monitoring the audit of the financial statements, the services rendered by the auditor, the audit fees and the additional services rendered by the auditor.

The Audit and Risk Committee reviews closely and in detail the annual financial statements and the consolidated financial statements, the summarised management report for the Company and the Group, the non-financial statement and the non-financial group statement as well as the proposal of the Management Board for the appropriation of the unappropriated retained earnings. Together with the Management Board and the auditor, it discusses the audit reports, the audit process, the audit focus and methodology and the audit results, including consideration of the internal control system related to the accounting process, and submits recommendations to the Supervisory Board. It regularly assesses the quality of the audit and discusses the quarterly releases and the semi-annual financial report with the Management Board prior to their publication.

The Audit and Risk Committee prepares the negotiations and resolutions of the Supervisory Board for the nomination of the auditor for submission to the Annual General Meeting and any decisions on corporate governance issues; moreover, it decides on the approval of significant transactions with related parties pursuant to section 111b(1) AktG (so-called Related Party Transactions). The Audit Committee discusses the assessment of the audit risk, the audit strategy and audit planning and the audit results with the auditor. The chairperson of the Audit Committee regularly consults the auditor on the progress of the audit and subsequently reports to the Committee. The Audit Committee regularly speaks to the auditor, at times without the participation of the Management Board.

The chairperson of the Audit Committee regularly reports to the Supervisory Board on the activities of the Audit and Risk Committee. In the event of significant incidents and findings of the Audit and Risk Committee, he / she notifies the Supervisory Board chairperson without delay.

Goals for the membership of the Supervisory Board / Status of attainment

The Company's Supervisory Board strives for a Supervisory Board membership that assures qualified supervision and advising of the Company's Management Board.

Giving due regard to

- its own size,
- the field of business in which the Company operates,
- the size and structure of the Company,
- the scope of the Company's international activities and
- its current shareholder structure,

the Company's Supervisory Board has adopted the following guidelines for the membership of the Supervisory Board. These guidelines take into account the legal requirements and – unless a deviation has been expressly declared – the requirements of the German Corporate Governance Code with regard to both the requirements for individual Supervisory Board members and the requirements for the composition of the body as a whole. In particular, a competence profile is envisaged with regard to the full Board.

The Supervisory Board will take these goals into account when nominating candidates for the positions and will verify that any nominated candidate fulfils the requirements. The specific situation of the Company must be considered during this procedure.

Requirements for individual members

The Company's Supervisory Board strives to ensure that each member of the Supervisory Board fulfils the following requirements.

General requirements profile
Each member of the Supervisory Board should have the knowledge and experience, skills and professional expertise that enable him or her to monitor and advise the Company diligently and to assess any risks to the Company's business. The Supervisory Board will also ensure that all Supervisory Board members have a personal profile that enables them to uphold the Company's reputation in the public arena.

Moreover, the Supervisory Board will ensure that each member of the Supervisory Board has a high level of social, negotiating and argumentation skills and the ability to think analytically. Supervisory Board members should not close their minds to innovative thinking and should be open to new developments and ideas. All members of the Supervisory Board should be characterised by a high degree of willingness to lead.

Time availability
All members of the Supervisory Board should be able to devote the time demanded for the diligent performance of the mandate throughout their entire term of office. The Supervisory Board members should in particular observe the requirements of the law and the German Corporate Governance Code with regard to the permissible number of Supervisory Board mandates.

Conflicts of interest
Supervisory Board members should not engage in any activities that make the frequent occurrence of conflicts of interest likely. This includes executive positions with major competitors.

Age limit for Supervisory Board members

As a rule, Supervisory Board members should not have reached the age of 75 at the time of their election or re-election.

Requirements for the membership of the Board as a body

Besides the requirements for individual Supervisory Board members, the Company's Supervisory Board strives to realise the following goals in accordance with C.1 of the German Corporate Governance Code for its membership as a body.

Competence profile for the full Board

The membership of the Supervisory Board as a body must encompass the expertise, skills and professional experience required to perform the Board's duties. The Supervisory Board strives to ensure that the Supervisory Board as a body covers the broadest possible spectrum of knowledge and experience relevant to the Company and, in particular, meets the following requirements:

- At least two members must be representatives of the sectors telecommunications, media and / or IT. Currently, all Supervisory Board members have the pertinent industry knowledge and the required competence;

- Expertise or experience from other business sectors;

- Entrepreneurial or operational experience;

- At least one member of the Supervisory Board must have international experience (e.g. in financial engineering, telecommunications, M&A). All present Supervisory Board members have relevant experience and competences and satisfy this target requirement;

- At least one member must have expertise in the field of accounting, whereby the expertise in the field of accounting must consist of special knowledge and experience in the application of accounting principles and internal control and risk management systems as well as sustainability reporting;

- At least one member must have expertise in the field of auditing, whereby the expertise in the this area must consist of special knowledge and experience in the auditing of annual financial statements and sustainability reporting;

- Expertise concerning sustainability issues that are significant for the Company;

- Knowledge and experience in strategy development and realisation;

- In-depth knowledge and experience in financial controlling and risk management;
- Knowledge and experience in personnel planning and management (human resources);
- In-depth knowledge and experience in the field of governance and compliance;
- Expertise concerning the needs of capital market-oriented companies;
- The Supervisory Board should not include more than two former members of the Management Board. This criterion is also met as solely Mr Vlasios Choulidis served as a Management Board member and spokesman prior to his election to the Supervisory Board. Furthermore, Supervisory Board members should immediately disclose to the Supervisory Board any conflicts of interest that may arise and resign from the Supervisory Board whenever there are permanent conflicts of interest. No such conflicts of interest arose in the reporting year.
- The Supervisory Board should step down from the Supervisory Board at the end of the Annual General Meeting following their 75th birthday. This criterion is also met.
- There should be at least one woman on the Supervisory Board. This criterion is met through the membership of Dr Claudia Borgas-Herold on the Supervisory Board.

Diversity
The Supervisory Board strives to for diversity in its membership so that the Supervisory Board as a whole has sufficient diversity of opinion and knowledge. The Supervisory Board will take into account the diversity concept established by the Company, including the target figures, when nominating candidates for election.

Independence
The Supervisory Board strives to ensure that at least [four] of the six members of the Supervisory Board are also independent within the sense of the criteria recommended by the German Corporate Governance Code.

In the reporting year, the Supervisory Board again addressed the above goals for its membership, in particular with regard to the competence profile for the Board as a whole, and confirmed their continued validity and improvement. The Supervisory Board strives to fulfill the competency profile developed by the Supervisory Board for the entire body.

Current membership of the Supervisory Board

Current membership of the Supervisory Board

- **Kurt Dobitsch**
  Chairman of the Supervisory Board since July 2021
  (since October 2017, and since May 2021, member of the Audit and Risk Committee)

- **Kai-Uwe Ricke**
  Deputy Chairman of the Supervisory Board
  (since October 2017)

- **Dr Claudia Borgas-Herold**
  (since January 2018, and since May 2021, member of the Audit and Risk Committee)

- **Vlasios Choulidis**
  (since January 2018)

- **Norbert Lang**
  (since November 2015, and since May 2021, Chairman of the Audit and Risk Committee)

- **Matthias Baldermann**
  (since May 2021)

Qualification matrix:

		Kurt Dobitsch	Kai-Uwe Ricke	Matthias Baldermann	Claudia Borgas-Herold	Vlasios Choulidis	Norbert Lang
Term of membership	Member since	2017	2017	2021	2018	2018	2015
Age limit (75)	Year of birth	1954	1961	1965	1963	1958	1961
Personal suitability	Independence	✓	✓	✓	✓		✓
	No Overboarding	✓	✓	✓	✓	✓	✓
	Former Management Board member					✓	
	No Conflicts of interest	✓	✓	✓	✓	✓	✓
Diversity	Gender	Male	Male	Male	Female	Male	Male
	Nationality	Austrian	German	German	German	German	German
Professional qualifications	Telecommunications industry	✓	✓	✓	✓	✓	✓
	Media and / or IT industry	✓	✓	✓	✓	✓	✓
	Expertise / experience from other business sectors	✓	✓				✓
	Entrepreneurial or operational experience	✓	✓	✓	✓	✓	✓
	Application of accounting principles, internal control & risk management systems, incl. sustainability reporting	✓					✓
	auditing of annual financial statements and sustainability reporting	✓					✓
	Expertise concerning sustaina-bility issues that are significant for the Company						
	Strategy development and realisation	✓	✓	✓		✓	✓
	Controlling and risk management	✓				✓	✓
	Personnel planning and management (HR)	✓					✓
	Governance and Compliance	✓	✓				✓
	Expertise on the needs of capital market-oriented companies	✓	✓			✓	✓
International experience	Several years of work abroad or operational experience in an internationally active company (e.g. in financial engineering, telecommunications, M&A)	✓	✓	✓	✓	✓	

The Supervisory Board nominations for the election of Supervisory Board members should continue to be oriented towards the welfare of the Company, also taking into account these objectives and the endeavour to satisfy the competence profile for the body as a whole. The specific situation of the Company must be considered during this procedure.

Provided that no stub years have been created, the term of office of Supervisory Board members ends on the conclusion of the Annual General Meeting of this year.

Targets for the proportion of women on the Supervisory Board, Management Board and senior management levels / Status of achievement

The "Act for the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector" [*Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungsposiitionen in der Privatwirtschaft und im öffentlichen Dienst; FührposGleichberG*] of 24 April 2015 amended the Stock Corporation Act as well as a number of other laws.

For 1&1 AG, the following obligations in particular arise from the law:

- Determination of targets for the proportion of women on the 1&1 AG Supervisory Board by the Supervisory Board
- Determination of targets for the proportion of women on the 1&1 AG Management Board by the Supervisory Board
- Setting of targets for the proportion of women in the first and second management levels of 1&1 AG by the Management Board

The following determinations may each cover a maximum period of five years.

After a thorough review, the 1&1 AG Supervisory and Management Boards adopted the following resolutions on 18 May 2022:

- The Supervisory Board set the deadline for achieving the current targets for the proportion of women on the Supervisory and Management Boards as the end of the Annual General Meeting that adopts a resolution for the discharge of the Supervisory Board for financial year 2022 (May 2023).

- For the elected Supervisory Board, the target figure of "16.66" will be maintained until the Annual General Meeting in May 2023 (section 111(5) AktG).

- A target of "0" was determined for the Management Board. All members of the current Management Board are men. No changes in the membership or an increase in the size of this body are planned or foreseeable. In the view of the Supervisory Board, the goal pursued by lawmakers of increasing the proportion of women is in this respect secondary to the interest of the Company in the continuation of the successful work by trained members of the Management Board and in a size of the Management Board that is adapted to the needs of the Company (section 111(5) AktG).

- Irrespective of this, the selection should always be made according to the individual competence profile of the potential Board members, whereby the Supervisory Board endeavours to give preference to women whenever candidates' qualifications are otherwise equivalent.

- The Management Board has set a target of 50 percent for the proportion of women at the first and second management levels below the Management Board (section 76(4) AktG). The Management Board set the deadline for achieving the current targets for the proportion of women on the Supervisory and Management Boards as the end of the Annual General Meeting that adopts a resolution for the discharge of the Supervisory Board for financial year 2022 (May 2023).

- The Supervisory Board reserves the right to decide again on the target figure for the proportion of women on both the Supervisory and Management Boards should a change in membership appear imminent.

The 1&1 AG Supervisory and Management Boards currently consider the stated targets to be met without exception.

Diversity concept (Sections 289f(2) point 6, 315d HGB)

Diversity aspects are always a significant factor during deliberations regarding the membership of the Management and Supervisory Boards. The Company regards diversity as not only desirable, but indeed as crucial to its success. In consequence, the Company strives to maintain overall a corporate culture of appreciation in which individual diversity in terms of culture, nationality, gender, age group and religion is desired and equal opportunities irrespective of age, disability, ethnic-cultural origin, gender, religion and ideology or sexual identity are promoted.

The Company strives to ensure that membership of the Management and Supervisory Boards is diversified and that the two Boards have sufficient diversity of opinion and knowledge among their members.

In particular, the following criteria should always be given due consideration:

- The members of the Management and Supervisory Boards should complement one another within their respective bodies in terms of their experience and educational and professional backgrounds so that they are able to develop a good understanding of both the current status and the longer-term opportunities and risks related to the Company's business.

- The Management and Supervisory Boards have each set a target for the gender ratio for the reference period until the end of the Annual General Meeting that adopts a resolution discharging the Supervisory Board for financial year 2022. The current Supervisory Board has one woman and five men in its membership. Both sexes should be treated equally according to their qualifications.

- There are no differentiations according to age for the members of the Management and Supervisory Boards (with the exception of age limits of 70 and 75, respectively) and the sole distinctions are based on the required knowledge and experience.

- In view of the current size of the Management and Supervisory Boards of only three and six members, respectively, no specifications regarding geographical origin have been established. The requirement of international experience on the Supervisory Board has been given due consideration by the fact that at least one Supervisory Board member should have had several years of operational experience acquired abroad or in an internationally active company.

Individual strengths – that is, everything that makes the individual employee within the Company unique and distinctive – have made it possible for the Company to become what it is today. A workforce that is made up of a wide variety of personalities offers optimal conditions for creativity and productivity and fosters as well employee satisfaction. The resulting potential for ideas and innovation strengthens the Company's competitiveness and increases opportunities on future markets. In keeping with this thought, diversity (in terms of age, gender or professional experience, for example) should be the object of close attention; certainly the field of activity and the position in which an individual's potential and talents can be exploited in the best possible way should be found for each and every employee, but in the Company's own interests, it should also be a factor for the composition of the Management and Supervisory Boards.

In the estimation of the Management and Supervisory Boards, the aforementioned requirements for diversity of the Management and Supervisory Boards are currently fulfilled. The Company does not consider any additional or more specific criteria to be expedient. In view of the current size of the Management and Supervisory Boards, a larger catalogue and more specificity of the diversity aspects would cause substantial difficulties in filling the positions adequately in accordance with all diversity criteria.

Annual General Meeting

The Annual General Meeting is the decision-making body of the 1&1 AG shareholders. The annual and consolidated financial statements are presented to the shareholders at the Annual General Meeting. The shareholders decide on the appropriation of the retained profits and vote on other issues as stipulated by law such as the discharge of the Management and Supervisory Boards and the election of the auditor. Each share entitles the holder to one vote. Shareholders who register in good time and who are entered in the share register on the day of the Annual General Meeting are entitled to attend the Annual General Meeting. Shareholders may also authorise proxies to exercise their voting rights at the Annual General Meeting. The Company also designates a proxy who votes according to shareholders' instructions insofar as shareholders have issued pertinent instructions.

Compliance

Compliance is an integral component of the corporate and management culture at 1&1 Group. For 1&1 AG, compliance means the conformity of its activities with all laws relevant to its business activities and with its own principles and rules, including open and fair dealings with employees, customers, business partners, shareholders and the general public. As the Company is an internet service provider with several million customers and a large number of business partners, 1&1 is dependent on maintaining the trust of its customers and business partners by its legally and ethically impeccable conduct.

The Management Board has created a binding framework setting forth the Company's ethical principles and values to ensure conduct in line with the Company's self-image. It has defined values and leadership guidelines and summarised important rules of conduct in a code of conduct. This "culture of togetherness" serves employees as orientation for their everyday work and creates a solid framework for making the right decisions. This framework applies equally as a mission statement for the Management Board, senior management, executives and all employees.

The Management Board has established a compliance organisation with the task of ensuring compliance with statutory provisions and in-house regulations.

The compliance organisation is part of a holistic risk management that includes corporate governance, risk management and compliance.

The compliance organisation is responsible for the creation of structures and processes suitable for the support of the realisation of compliance in the Company and the orientation of measures to possible risks. Compliance processes include, for example, approval procedures for the prevention of corruption and confidential reporting channels that give employees the opportunity to point out possible misconduct or legal violations in the Company.

The compliance organisation is represented and anchored in the business units by the presence of functional and local compliance managers (FCM and LCM). The activities of the FCMs and LCMs in support of the compliance unit are supplementary to their actual job responsibilities and duties.

The overarching element of the compliance system is the responsibility of all managers for compliance. Its elements include acting as role models pursuant to the Company's management guidelines, but go even further; all of the Company's managers must visibly act in accordance with compliance practises and ensure that business decisions and actions in their purview are always in harmony with the pertinent legal provisions and the Company's own values and rules.

Risk management

If the Company's success is to be assured over the long term, it is essential to identify and analyse the risks of business actions effectively and to eliminate or restrict their impact by means of the appropriate steering mechanisms. The Company's risk management system ensures the responsible handling of these risks. It has been designed specifically with the aim of recognising risks early and of assessing and controlling them. The system is subject to constant development and adaptation to changing circumstances. The Management Board regularly reports to the Supervisory Board whenever necessary on existing risks and their management. The effectiveness of the internal control system and the risk management system was monitored by the Supervisory Board as a body.

The essential features of the internal control and risk management system relating to the accounting process are described in detail in the report on the position of the Company and the Group pursuant to section 315(4) HGB. The Management Board also reports in detail on any existing risks and their development in these reports.

Financial publicity / Transparency

1&1 has the declared goal of informing institutional investors, private shareholders, financial analysts, employees and the interested general public simultaneously and equally about the Company's position by regularly issuing frank and up-to-date communications.

To this end, all essential information such as press releases, ad hoc announcements and other mandatory disclosures (such as directors' dealings or voting rights notifications) as well as all financial reports are published in accordance with legal requirements. Furthermore, 1&1 also provides extensive information on the Company's website (www.1und1.ag). Documents and information about the Company's Annual General Meetings as well as other economically relevant information can be found on the site.

1&1 reports to shareholders, analysts and press representatives on the development of business and the financial and earnings position four times in each financial year as announced in a fixed financial calendar.

The financial calendar is published and regularly updated on the Company's website in accordance with legal requirements.

In addition, the Management Board informs shareholders without delay by issuing ad hoc announcements concerning circumstances that are not publicly known and that are likely to have a significant impact on the share price.

As part of its investor relations, management meets regularly with analysts and institutional investors. Moreover, analyst conferences, to which investors and analysts also have telephone access, are held to present the semi-annual and annual figures.

Accounting and auditing

The Group's accounts are prepared in accordance with the principles of the International Financial Reporting Standards (IFRS, as applicable in the EU), with due consideration of section 315e HGB. The annual financial statements relevant for disbursement and tax purposes, on the other hand, are prepared according to the provisions of the German Commercial Code (HGB). The separate and consolidated annual financial statements are audited by independent auditors. The auditor is elected by the Annual General Meeting. The Supervisory Board issues the audit mandate, determines the focal points of the audit and the audit fee and reviews the independence of the auditor.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft has been the auditor for 1&1 AG and the Group since financial year 2022. Mr Erik Hönig is the CPA in charge of the audit for financial year 2022.

Remuneration for Management Board and Supervisory Board

The remuneration system and the disclosure of the remuneration of Management and Supervisory Board members for financial year 2022 pursuant to section 162 AktG can be found in the "Remuneration Report 2022", which is published on the 1&1 AG website at www.1und1.ag/corporate-governance-en#verguetungsbericht. Information on Management and Supervisory Board remuneration can also be found in the Notes to the consolidated financial statements under Note 42.

Stock option programmes

The basic features of 1&1 AG's employee share ownership programme can be found in the "Remuneration Report 2022", which is published on the Company's website at www.1und1.ag/corporate-governance-en#verguetungs-bericht. Further information can be found in the Notes to the consolidated financial statements under Note 37.

Declaration pursuant to section 161 AktG regarding compliance with the recommendations of the German Corporate Governance Code

Corporate governance at 1&1 is oriented to the German Corporate Governance Code, which was first published on 26 February 2002, by the Government Commission appointed by the Federal Minister of Justice in September 2001.

The Code aims to make the dual German corporate governance system transparent and comprehensible. The Code contains principles, recommendations and suggestions for the management and supervision of German listed companies that are recognised nationally and internationally as standards of good and responsible corporate governance. It aims to promote the confidence of investors, customers, the workforce and the general public in the management and supervision of German listed companies. The Government Commission reviews the Code annually to determine whether it continues to reflect current best practise in corporate governance and adapts it as deemed necessary.

The **principles** reflect essential legal requirements of responsible corporate governance and serve to inform investors and other stakeholders.

Code **recommendations** are indicated in the text by the use of the word **"soll [should]"**. Companies may deviate from any such recommendations, but are obligated to disclose and to justify the deviations ("comply or explain") every year. This option gives companies the freedom to give due consideration to special features of their sector or to company-specific circumstances. A well-justified deviation from a Code recommendation may be in the interest of good corporate governance.

Finally, the Code contains **suggestions** as indicated by the use of the term **"sollte [is encouraged]"**; disclosure of deviations from suggestions is not required.

On 5 December 2022, the 1&1 AG Management and Supervisory Boards issued the latest annual Declaration of Conformity pursuant to section 161 AktG and published it on the Company's website (www.1und1.ag) and in the Federal Gazette.

The 1&1 AG Management and Supervisory Boards declare pursuant to section 161 AktG:

1&1 AG has complied with the recommendations of the German Corporate Governance Code ("Code") as revised on 16 December 2019, on which the previous Declaration of Conformity of 7 December 2021 was based, with the declared exceptions and will in future comply with the recommendations of the Code as revised on 28 April 2022, which became effective upon publication in the Federal Gazette on 27 June 2022, with the following exceptions:

Clause D.4
Formation of a Nomination Committee

The Supervisory Board does not form any committees other than the Audit and Risk Committee; it performs all other tasks as a full body. The Supervisory Board considers this to be appropriate to the situation as efficient plenary discussions and an intensive exchange of opinions are possible even with a six-member Supervisory Board. The Supervisory Board sees no necessity for the creation of a nomination committee.

Clauses G.1 to G.5
Remuneration of the Management Board – remuneration system

In consideration of the Act Implementing the Second Shareholders' Rights Directive ("ARUG II") and the new German Corporate Governance Code, the Supervisory Board has developed and adopted amendments to the remuneration system for the Management Board members.

Upon being presented to the Annual General Meeting in May 2021, the remuneration system became the basis for service contracts concluded with Management Board members in future. The prepared remuneration system incorporates the recommendations from G.1 to and including G.5 of the Code without any restrictions. The adoption of the system is without prejudice to current service contracts with Management Board members, which is why the deviation from the recommendations in G.1 up to and including G.5 of the Code has been declared.

Clause G.10
Remuneration of the Management Board – long-term variable remuneration

According to G.10 of the Code, the variable remuneration components granted to members of the Management Board should be granted primarily as shares of company stock or on the basis of company stock. Moreover, any such grants to Board members should be subject to a blackout period of four years. Share-based remuneration is awarded in the form of the Stock Appreciation Rights (SARs) programme as a long-term remuneration programme for the Management Board. The term of this programme totals six years. Within this period of six years, a Management Board member can redeem a portion (25 percent) of the vested SARs at certain points in time – at the earliest, however, after two years. This means that a Management Board member can obtain a part of the long-term variable remuneration after only two years. Full exercise of all SARs is possible for the first time after the lapse of a period of five years.

The Supervisory Board is of the opinion that this system of long-term remuneration has proven its value and sees no reason to postpone any further the possibility of obtaining remuneration earned under the programme. The Supervisory Board believes that the linking of the programme to the 1&1 AG share price and the opportunity for Management Board members to redeem their shares to satisfy the claims from the programme secure reasonable participation of Management Board members in the risks and opportunities of 1&1 AG. Since the programme has been designed with a term of six years and the awarded SARs are vested proportionately over this term and at the earliest after two years, the Supervisory Board is of the opinion that the programme achieves an optimal commitment effect and incentive control in the interest of 1&1 AG and does not require any changes.

Clause G.11
Remuneration of the Management Board – withholding / clawback of variable remuneration

According to G.11 of the Code, the Supervisory Board should have the possibility to withhold or claw back variable remuneration in justified cases. The current service contracts of the Management Board members do not contain any such provisions. A so-called "clawback clause" for the reclaiming of variable remuneration was included in the new remuneration system and will be incorporated in future in new service contracts to be concluded for Management Board members.

Clause G.13
Remuneration of the Management Board – benefits upon termination of contract

According to G.13 of the Code, payments to a Management Board member in the event of premature termination of Management Board activities should not exceed the value of two years' remuneration and should not remunerate the member for a period longer than the remaining term of the service contract. If and when there is a post-contractual non-competition clause, any such severance payment should also be offset against the waiting period compensation. The service contracts for Management Board members do not currently provide such an offset option. It has been included in the new remuneration system and will be incorporated in future in new service contracts to be concluded for Management Board members (and any termination agreements linked to said contracts).

Consolidated Management Report

Preliminary Remarks

The German Corporate Governance Code (DCGK) requires information on the internal control and risk management system. These requirements go beyond the legal demands for the management report and are excluded from the auditor's review of the content of the management report ("non-management report information"). They are thematically allocated to the essential elements of the internal control and risk management system in chapter 4.1 "Risk report" and are separated from the information to be audited in terms of content by separate paragraphs and marked accordingly.

1. General Information about the Company and Group

1.1 Business model

1&1 Group

1&1 Group, together with 1&1 Aktiengesellschaft, Montabaur (formerly Maintal), the listed parent company (hereinafter: "1&1 AG" or, along with its subsidiaries, "1&1" or "Group"), is a telecommunications provider that operates solely and exclusively in Germany. Serving 15.8 million contracts, 1&1 is a leading internet specialist and is authorised to use one of the largest fibre optic networks in Germany because of its affiliation with the company 1&1 Versatel GmbH, Düsseldorf (hereinafter: "1&1 Versatel GmbH"), which is a member of the United Internet AG corporate group. As a virtual mobile network operator, 1&1 has guaranteed access to up to 30 percent of the capacity of Telefónica's mobile network in Germany (so-called Mobile Bitstream Access Mobile Virtual Network Operator = MBA MVNO). In addition, 1&1 utilises capacities in Vodafone's mobile network. The Group's business unit Access offers landline and mobile network-based internet access products. They include, among others, chargeable broadband and mobile access products and the related applications such as home networks, online storage, telephony, smart home or IPTV. 1&1 is wide currently building Europe's first fully virtualised mobile network based on the innovative OpenRAN technology using the 5G mobile frequency blocks procured during the auction in 2019.

1&1 – Only MBA MVNO on the German Mobile Market and Construction of Its Own 1&1 Mobile Network

Pursuant to the MBA MVNO agreement concluded with Telefónica in June 2014, Telefónica grants to 1&1 (as the only competitor on the German mobile market) access to up to 30 percent of the utilised network capacity of Telefónica in the mobile network of Telefónica and E-Plus that is controlled after the merger of the two companies. This right extends to all available technologies, including 5G. At the same time, 1&1 obtains access rights to the so-called "Golden Grid Network" of Telefónica that has been created by the merger. This means access to the enhanced footprint of the mobile network of Telefónica, including all necessary technical specifications and the technical capability to reduce speed and restrict transport in the event of excessive data utilisation by customers. Owing to the exercise of the first option to extend the MBA MVNO contract, the contract now runs until 30 June 2025. At the end of this term, 1&1 has the unilateral option of a second five-year extension.

In 2019, 1&1 successfully participated in the Federal Network Agency's frequency auction and acquired 5G frequencies in the 2 GHz and 3.6 GHz bandwidths. Subsequently, the development of the Company's own mobile network was set in motion by the conclusion of major contracts with the pertinent wholesale services providers and equipment outfitters. The operation of its own network will in the future decrease 1&1's dependence on access to third-party networks, increase its own added value and open up opportunities to develop new business areas.

The new mobile network began operating on 28 December 2022. Initially, the OpenRAN mobile network will be operated exclusively for a landline network substitute product that replaces conventional DSL, cable internet or fibre optic home lines. Mobile services will be activated as scheduled in summer 2023.

1&1 AG is the Group's holding company

Within 1&1 Group, 1&1 AG, the parent company, concentrates on the holding tasks such as management, finances and accounting, financial controlling, cash management, human resources, risk management, corporate communications and investor relations along with the definition, management and monitoring of the corporate strategy.

The operating business is essentially conducted by 1&1 Telecom GmbH and by Drillisch Online GmbH.

1&1 AG is a listed subsidiary of United Internet AG, Montabaur, which is also listed.

1&1 AG

- 1&1 Telecommunication SE
    - 1&1 Telecom Holding GmbH
        - 1&1 Telecom GmbH
    - 1&1 Telecom Sales GmbH
    - 1&1 Telecom Service Montabaur GmbH
    - 1&1 Telecom Service Zweibrücken GmbH
    - 1&1 Logistik GmbH
- Drillisch Online GmbH
    - 1&1 Mobilfunk GmbH
        - 1&1 Towers GmbH
- IQ-optimize Software AG
- Drillisch Logistik GmbH

Business activities

Chargeable contracts with 15.8 million subscribers make 1&1 one of the leading providers of broadband and mobile services products in Germany.

Company management and Group reporting encompass the segments "Access" and "1&1 Mobile Network".

Segment "Access"

The Group's chargeable mobile access and broadband products, the related applications (such as home networks, online storage, telephony, smart home or IPTV), are grouped together in the segment "Access". 1&1 operates solely and exclusively in Germany. The Company uses the landline network of the affiliate 1&1 Versatel GmbH, a member company of United Internet AG Group, and its access right to the Telefónica network; in addition, it purchases standardised network services from various wholesalers. In financial year 2021, 1&1 entered into an agreement with 1&1 Versatel for access to Deutsche Telekom's broadband home lines.

The related FTTH product contract was concluded with Deutsche Telekom in February 2022. The contract provisions authorise 1&1 to integrate all of Deutsche Telekom's fibre optic lines into its products and to participate in Deutsche Telekom's growth plans. Access to the networks is enhanced by offerings of devices, own developments of applications and services to set the Company apart from its competitors.

The Access products are marketed via the well-known brands such as 1&1, yourfone or smartmobil.de, each of which addresses specific target groups on the market. The 1&1 Group covers the entire range from premium rate plans with above-average service standards to low-cost rate plans for price-conscious customers.

Segment "1&1 Mobile Network"

The expenditures and income relating to the construction and operation of the Company's own 1&1 mobile network are disclosed in the segment "1&1 Mobile Network".

1&1's acquisition of 5G frequencies in the bandwidths 2 GHz and 3.6 GHZ in 2019 laid the foundation for the Company's construction of its own 1&1 OpenRAN mobile network. While the frequency blocks in the 3.6 GHz bandwidth are already available, the frequency blocks in the 2 GHz bandwidth will not become available until 1 January 2026. To bridge this period, 1&1 has leased additional frequencies in the 2.6 GHz bandwidth from Telefónica until its own frequencies become available.

1&1 has entered into partnerships with experienced and competent wholesalers for the rollout of the 1&1 mobile network. The Japanese technology group and proven OpenRAN expert Rakuten is serving as the general contractor and contributing its experience from the construction of the world's first mobile network based on OpenRAN technology. Together, we are creating Europe's first fully virtualised mobile network based on the innovative OpenRAN technology, which fully exploits the potential of 5G. All 1&1 antennas will be connected to fibre optic lines so that gigabit speeds are assured. We are realising this project in cooperation with our affiliate 1&1 Versatel, which has one of the largest and most powerful fibre optic transport networks in Germany and will also be in charge of the construction and operation of the 5G data centres. Various partners have been engaged for the construction of the antenna sites. Besides the cooperation with the established tower companies Vantage Towers and ATC, 1&1 is installing its own antenna sites, which will be constructed by GfTD GmbH for 1&1. 1&1 is already collaborating successfully with GfTD GmbH as part of the "White Spot Programme".

1&1 and its partners initiated operation of the first antennas and data centres in 2022, and the expansion in the urban areas is progressing. A friendly user test that commenced in July 2022 verified high performance values with speeds of 1 Gbit/s, latency times of 3 ms for gaming applications in the edge cloud and stable data transfers with more than eight terabytes per customer within 24 hours.

On 28 December 2022, the 1&1 mobile network began operations; initially, it was available solely in the vicinity of the sites. 1&1 offers 5G mobile services as an alternative to landline network, cable internet or fibre optic lines.

In the coming months, additional functions will begin operation. They will include in particular telephony, for which the 1&1 OpenRAN will be connected to networks in Germany and abroad. Once these steps have been completed – presumably in the second half of 2023 – the national roaming services agreed with Telefónica Germany will be activated, enabling 1&1 to offer to its customers nationwide reception even during the rollout phase.

Major Sites

Site	Activity Focus	Company
Maintal	IT	IQ-Optimize Software AG
	Customer Service, Product Marketing, New Customer Sales	Drillisch Online GmbH
Krefeld	Customer Service, Finance	Drillisch Online GmbH
	IT	IQ-Optimize Software AG
Düsseldorf	Network planning	1&1 Mobilfunk GmbH
	Finance, ESG	1&1 Mobilfunk GmbH, 1&1 Telecommunication SE

Site	Activity Focus	Company
Montabaur	Head Office, IR	1&1 AG
	Finance, Accounts Receivable, Controlling, Human Resources, Marketing, PR, Software Development and IT Operations	1&1 Telecommunication SE
	Partner Sales	1&1 Telecom GmbH
	Customer service	1&1 Telecommunication SE, 1&1 Telecom Service Montabaur GmbH, 1&1 Telecom Service Zweibrücken GmbH
	Logistics	1&1 Logistik GmbH
	Telesales	1&1 Telecom Sales GmbH
Karlsruhe	Current Customer Sales, Product Management	1&1 Telecom GmbH
	New Customer Sales, Business and Sales Controlling, Software Development and IT Operations	1&1 Telecommunication SE
Zweibrücken	Customer service	1&1 Telecommunication SE, 1&1 Telecom Service Montabaur GmbH, 1&1 Telecom Service Zweibrücken GmbH
	Software Development and IT Operations	1&1 Telecommunication SE

An average headcount of 3,163 (previous year: 3,176) was employed at 1&1 Group in financial year 2022.

1.2 Goals and strategy

The 1&1 business model is based primarily on customer contracts characterised by fixed monthly payments and fixed contract terms. Contracts without fixed terms are also marketed, although to a lesser degree. A business model of this type secures stable and plannable revenues and cash flows, provides protection from short-term economic fluctuations and opens up financial manoeuvring room so that opportunities arising in new business fields and on new markets can be exploited.

A large and steadily rising number of customer relationships also helps the Company to take advantage of so-called scaling effects; the greater the demand from customers for the products, the better fixed costs can be covered and the higher the profit. These profits can then be invested in acquiring new customers and in developing new products and business areas.

1&1 attracts new customers to the Company and encourages current customers to renew their contracts by offering attractive products and services based on state-of-the-art, high-quality technology. At the same time, customers want a high level of service with fast response times. 1&1 combines these two expectations to offer its customers outstanding value for money.

From today’s perspective, mobile internet (especially when based on 5G technology) and high-speed broadband lines along with their related applications represent the growth markets of the coming years. Thanks to its clear positioning on these markets, 1&1, operating under the umbrella of United Internet Group, is strategically well placed to exploit the expected market potential.

The Company has established an outstanding position for itself thanks to its many years of experience as a telecommunications provider; to its competence in software development and data centre operation, marketing, sales and customer care; to its brands (such as 1&1, smartmobil.de and yourfone); and to the existing customer contract relationship with more 15.8 million subscribers in Germany.

1&1 will continue to invest heavily in new customers and new products so that it can steadily expand its market positioning by building on this expected growth.

1&1's successful participation in the 5G frequency auction in 2019 opens up further strategic potential for solidifying and expanding its position on the German mobile communications market. The operation of its own 5G mobile network will decrease 1&1's dependence on access to third-party networks, increase its own added value and open up opportunities to develop new business areas. 1&1's decision to employ the novel and innovative OpenRAN technology indicates the Company's desire to set itself apart from the competition in the future as it becomes the only network operator to exploit fully the potential of 5G. This choice will offer to 1&1 future strategic options for all applications that rely on fast internet, short latency times and stable data transfers. The capability will become an essential building block for growth related to various applications on the horizon, especially in view of the arrival of the Internet of Things.

While not neglecting organic growth, 1&1 continuously examines as well possible corporate acquisitions, holdings and cooperative ventures as further methods for the expansion of market position, competencies and product portfolios.

Thanks to its plannable and high free cash flow, 1&1 has at its disposal the resources to fund activities itself while securing solid access to capital markets.

Additional information about opportunities and objectives can be found under "Risks, opportunities and forecast report" under item 4.

1.3 Steering systems

The internal steering systems support management in the steering and monitoring of the group. Among other elements, the systems include budgetary, as-is and forecast calculations and are based on the Group's strategic planning that is revised annually. Factors given particular consideration are market developments, technological developments and trends, their impact on the Company's own products and services and the financial opportunities available to the group. The goal of the corporate steering activities is to continue the development of 1&1 AG and its subsidiaries continuously and sustainably.

Group reporting encompasses monthly profit and loss statements along with quarterly IFRS reports of all consolidated subsidiaries and presents the assets and liabilities, the financial position and the earnings of the Group and the business units. Financial reporting is supplemented by further detailed information necessary for the assessment and steering of operating business.

The key steering indicators are described in the section "Segment reporting" of the consolidated notes.

The reports on the major risks to the Company that are prepared quarterly are another component of the steering system.

These reports are discussed during the meetings of Management and Supervisory Boards and serve as fundamental pillars for analyses and decisions.

The key steering indicators are service revenues and the comparable operating consolidated EBITDA based on IFRS (earnings before interest, taxes, depreciation and amortisation, adjusted for extraordinary factors). Moreover, actions of Company management include consideration of non-financial indicators, in particular the number of, and growth in, contracts subject to charge. Due to the upcoming investments required during the rollout of the mobile network, the key figure cash capex (expenditures for investments) has been added as a relevant key performance indicator. Use and definition of relevant financial performance indicators can be found under point 2.2. 1&1 AG (separate company) in its role as the group holding concentrates on the operating values of the Group.

As in the previous year, the existing goodwill is attributed to the "Access" reporting segment and is monitored at this level by the competent corporate positions.

Item 2.2 "Course of business" in the section "Actual and projected course of business" and item 2.3 "Position of the Group" in the section containing the general statement on the development of business present a comparison between the performance indicators designated in the forecast with the as-is values of these performance indicators.

1.4 Focus on products and innovations

Product development in financial year 2022 is focusing on the following areas:

- Launch of our own fibre optic offerings (FTTH) using regional networks of Deutsche Telekom

- Operational launch of the 1&1 mobile network with "1&1 5G at Home" – a product that replaces conventional DSL, cable Internet or fibre optic home lines
- Extension of FTTH customer processes to include further use cases (direct connection of FTTH and processing of owner data)
- Revision of the 1&1 landline network platform and new design of all customer processes for the customer migration
- Introduction of a malfunction assistant for mobile service customers

2. Business Report

2.1 General economic and industry-related conditions

Development of the overall economy

The International Monetary Fund (IMF) revised its forecast for 2022 downwards several times during the year as warranted by the war in Ukraine and high inflation. In its latest economic outlook (World Economic Outlook, Update January 2023), the IMF reported that provisional calculations indicated a plus of 3.4 percent for the global economy in 2022. Growth was significantly below the previous year's level (6.2 percent) and also 1.0 percentage points below the original IMF forecast of January 2022 (4.4 percent).

The economic development in Germany also lagged significantly behind the previous year as well as behind the original expectations of the IMF. The IMF, for example, projected growth in economic output of 1.9 percent (previous year: 2.6 percent), 1.9 percentage points less than expected at the beginning of the year.

The Fund's calculations for Germany are in line with the provisional calculations of the Federal Statistical Office (Destatis), which – as noted during the press conference "Gross Domestic Product 2022" on 13 January 2023 – concluded that (price-adjusted) gross domestic product (GDP) rose by 1.9 percent, a drop of 0.7 percentage points over 2021 (2.6 percent). The assessment of the Federal Statistical Office is that the overall economic situation in Germany in 2022 was characterised by the consequences of the war in Ukraine, especially the extreme rise in energy prices. This was compounded by worsening material and supply bottlenecks, massively rising prices for food and other items, the shortage of skilled workers and the ongoing coronavirus pandemic, although the impact of the latter waned over the course of the year. Viewed against this background, the Federal Statistical Office considers the German economy to have held up relatively well overall in 2022.

Changes in growth forecasts during 2022

	January Forecast 2022	April Forecast 2022	July Forecast 2022	October Forecast 2022	Actual 2022	Deviation from January forecast
World	4.4%	3.6%	3.2%	3.2 %	3.4 %	- 1.0 percentage points
Germany	3.8%	2.1%	1.2%	1.5 %	1.9 %	- 1.9 percentage points

Source: International Monetary Fund, World Economic Outlook (Update), January 2023

Multi-period overview: GDP development

	2018	2019	2020	2021	2022
World	3.6%	2.8%	- 3.1 %	6.2%	3.4%
Germany	1.5%	0.6%	- 4.6 %	2.6%	1.9%

Source: International Monetary Fund, World Economic Outlook (Update), January 2023

Development of the industry / core markets

As announced during its annual press conference on 10 January 2023, the industry association Bitkom presumed growth for the German ICT market of 4.0 percent (previous year: 5.9 percent) to €196.1 billion in 2022. At the beginning of 2022, the association had assumed revenue growth of 3.6 percent for 2022. The digital sector proved to be very robust despite a macroeconomic environment marked by war, disrupted supply chains and inflation.

The rise in the overall ICT market is due in particular to strong revenue increases in information technology. According to the BITKOM forecast 2022, revenues in this largest submarket rose by 6.6 percent (previous year: 9.1 percent) to €118.9 billion, a significant change from the growth of 5.9 percent projected at the beginning of the year. Developments in all segments of the submarket were clearly positively, especially the IT hardware and software segments. Software grew by 9.4 percent (previous year: 11.3 percent), IT hardware by 5.4 percent (previous year: 11.8 percent) and IT services by 5.5 percent (previous year: 5.3 percent).

The ICT submarket telecommunications also posted positive development. The industry association expects an increase on this core market, which is relevant for 1&1, of 1.3 percent in 2022 (previous year: 2.5 percent) to €68.9 billion in comparison with growth of 0.9 percent forecast at the beginning of 2022. On the telecommunications market, the various sectors developed quite differently from one another: For example, the infrastructure business (driven by the 5G network expansion) grew strongly by 7.3 percent (previous year: 2.0 percent), while devices developed rather moderately with 1.8 percent (previous year: 9.2 percent) and telecommunications services with 0.3 percent (previous year: 1.1 percent).

(Landline) broadband market in Germany

The demand for new broadband landlines in Germany has slowed down in recent years because household coverage is already extensive and because of the strong trend in the direction of mobile internet use. An expected plus of 0.7 million new lines (1.9 percent) to 37.7 million in 2022 meant that the number of new activations was again significantly below the record figures of earlier years.

This was the conclusion reached by the Association of the Providers of Telecommunications and Added-value Services (VATM) and Dialog Consult in their joint 24. TK-Marktanalyse Deutschland 2022 [24th TC Market Analysis Germany 2022] (October 2022).

Despite the aforementioned growth, the lines currently relevant for 1&1 developed very differently in the two technology sectors DSL and FTT / FTTH (fibre optic). DSL lines in Germany declined by 0.3 million to 25.1 million while at the same time fibre optic lines increased by 0.8 million to 3.4 million. The number of cable lines (a technology that 1&1 will be able to offer for the first time – via cooperation with Tele Columbus – presumably from 2023) rose by 0.2 million to 9.2 million. Another <0.05 million lines are operated via satellite or Powerline in Germany (unchanged).

Revenues generated in the landline business of €33.6 billion were higher by 1.2 percent in 2022 than the previous year's level of €33.2 billion. The aforementioned revenue figures include inter alia wholesale, interconnection and device revenues in addition to the end customer revenues.

According to a projection from Dialog Consult / VATM, the average consumption of data volume developed much more strongly than the number of newly activated lines and the revenues realised from landline connections, rising by 18.7 percent to 274.4 GB (per line and month), an indicator of the continuing rise in the use of IPTV or cloud applications (for example).

The demand for high-speed broadband lines developed at a correspondingly high rate. The number of activated broadband lines with speeds of at least 50 Mbit/s rose by 2.3 percentage points from 55.7 percent in the previous year to 58.0 percent in 2022. Landlines with download speeds of at least 1 Gbit/s increased by 1.7 percentage points to a share of 5.8 percent (of all broadband lines).

Key market figures: landlines in Germany

	2022	2021	Change
Landline revenues (in €bn)	33.6	33.2	+ 1.2 %

Source: Dialogue Consult / VATM, TK-Marktanalyse Deutschland 2022, October 2022

Mobile internet market in Germany

According to estimates from Dialog Consult / VATM, the number of active SIM cards on the German mobile market has increased by 8.0 million (5.0 percent) to 169.3 million in 2022. The growth can be attributed to the so-called M2M SIM cards (machine-to-machine SIM cards), which are used, for example, for the automated exchange of information among machinery, vending machines, vehicles etc. and / or with a central control centre and which increased by 10.9 million to 56.5 million. The number of personal SIMs, on the other hand, fell by 2.9 million to 112.8 million.

Total revenues on the German mobile market increased by 1.5 percent from €26.3 billion to €26.7 billion in 2022 (including interconnection, wholesale and device revenues). Service revenues increased by 3.4 percent to €21.1 billion while other revenues (which include interconnection, wholesale and device revenues) declined by 5.1 percent to €5.6 billion.

According to forecasts by Dialog Consult / VATM, the average data volume consumed per line and month rose by 38.8 percent to 5.65 GB, a rate much faster than the number of SIM cards and mobile revenues and a sign of the increasing use of mobile data services. Commensurate with this growing data use, the number of (personal) SIM cards suitable for the faster 4G / 5G networks also increased by 9.9 million to 89.8 million while the number of SIM cards for unspecified use (2G / 3G) declined by 12.8 million to 23.0 million.

Key market figures: mobile services in Germany

	2022	2021	Veränderung
Mobile revenues (in €bn)	26.7	26.3	+ 1.5 %

Source: Dialogue Consult / VATM, TK-Marktanalyse Deutschland 2022, October 2022

General legal conditions / Major events

Amendment of the Telecommunications Act

The updated Telecommunications Act [*Telekommunikationsgesetz; TKG*] entered into force on 1 December 2021. The TKG reform transposes Directive (EU) 2018 / 1972 of 11 December 2018 on the European Electronic Communications Code into national law. The focus of the revised legislation is on the faster expansion of FTTH and mobile networks and on consumer protection. For the first time, lawmakers have anchored in law citizens' right to fast internet and encouraged a faster expansion of the networks by introducing new general conditions and simplifying approval procedures. In the interest of consumer protection, the contract terms in particular have been regulated; contracts can now be terminated at any time after expiry of the minimum contract term by giving one month's notice unless an extension of the contract has been explicitly requested.

As a result of the shortening of the minimum contract terms in a renewal period, there was a one-off negative impact on the contract portfolio of approximately 250,000 contracts in 2022 resulting from the shift in terminations to an earlier point in time. The effects of this shift were especially noticeable at the beginning of the year, but diminished as the year progressed. 1&1 does not expect the reform of the Telecommunications Act to cause any further shift effects in 2023 and later.

Other legal framework conditions for 1&1's business activities remained essentially constant in financial year 2022 compared to financial year 2021 and had no significant impact on the business development of 1&1 Group.

New agreements of material significance

FTTH product agreement with Deutsche Telekom

Subsequent to their commercial agreement in financial year 2021, 1&1 and Deutsche Telekom concluded the associated FTTH product agreement in February 2022. Now that this agreement has been concluded, 1&1 can integrate all of Deutsche Telekom's fibre optic household connections into its products. 1&1 obtains these wholesale services together with network transmission services and added-value services such as VoIP and IPTV from a single source – its affiliate 1&1 Versatel – whose nationwide transport network is already largely connected to the regional broadband networks of Deutsche Telekom.

Wholesale cooperation with Tele Columbus

On 21 November 2022, 1&1 and Tele Columbus AG announced a long-term wholesale framework agreement. Within the framework of the partnership, the nationwide transport network of 1&1 Versatel GmbH will be connected to the regional city networks of Tele Columbus AG. Subsequently, presumably as of 2023, 1&1 will also be able to offer fast internet lines to all households that have an internet-capable cable or fibre optic line from Tele Columbus. Tenants of residences that have or will have internet-capable lines from Tele Columbus will also be able to use the high-performance broadband offering from 1&1. For 1&1, this results in additional marketing potential for landline network products with peak bandwidths as fast as 1,000 Mbit/s in more than two million households. Tele Columbus benefits from an even higher network utilisation. The technical and organisational preparations that will guarantee smooth booking and service processes are already far advanced. The internet signal from 1&1 is fed in at numerous network points of Tele Columbus and routed directly to the households.

New contracts related to the 1&1 mobile network

Conclusion of a contract with GfTD for the construction of antenna sites

On 4 April 2022, 1&1 and GfTD GmbH signed a contract for the construction of antenna sites serving the rollout of the 1&1 mobile network. The initial order is for 500 new sites. GfTD is one of the leading German service providers for radio tower infrastructure and will act as general contractor during the construction of new antenna sites for the 1&1 mobile network throughout Germany. Both companies have been working together successfully since the beginning of 2020 as part of the federal government's "White Spots Programme" to close service gaps in rural areas.

Conclusion of agreement with ATC for the lease of existing antenna sites

On 21 April 2022, 1&1 and ATC Germany Holdings GmbH, a German subsidiary of American Tower Corporation (ATC), entered into a framework agreement for the lease of existing antenna sites as part of the rollout of the 1&1 mobile network. As an independent owner of communications sites, ATC is one of the world's leading providers of radio tower infrastructure, operating approximately 15,000 antenna sites in Germany. Pursuant to the agreement, ATC will make its antenna masts available to 1&1 for the installation of the 1&1 high-performance antennas. The two companies will work closely together to determine the availability of co-location sites that can be phased into operation in the near future. The terms of the leases for each site is 20 years, and 1&1 can exercise multiple options for renewals.

Agreement with Orange for worldwide international roaming

On 25 November 2022, 1&1 and Orange signed a long-term agreement for the provision of international roaming services for the 1&1 mobile network. The terms of the agreement assure 1&1's customers that they will have reliable access to mobile services even when they are abroad right from the launch of the 1&1 mobile network. One of the world's largest telecommunications service providers, Orange is a leader in roaming services and sponsored telecommunications platforms. Thanks to the provisions of the partnership, 1&1 customers will have access to all international roaming services based on Orange's global roaming footprint. The services offer state-of-the-art technologies, including 5G and VoLTE. 1&1 will receive all international roaming services from a single source and tailored to its requirements while it will benefit from comprehensive network coverage worldwide, including numerous added-value services and the highest security standards.

Agreement with Eubanet for the acquisition of new antenna locations

On 21 December 2022, 1&1 and Eubanet GmbH concluded an agreement for the acquisition of as many as 7,500 new 5G antenna sites. Eubanet GmbH is a consulting and service company in the telecommunications sector that is firmly established in Germany; its performance portfolio highlights in particular the analysis and acquisition of suitable locations for new wireless facilities. Eubanet has the technical and contract-specific expertise in the establishment of virtually all networks, including 5G.

The direct cooperation with an experienced acquisition partner is a further step towards achieving the rollout targets for the 1&1 mobile network.

External influences

Besides the ongoing coronavirus pandemic and its consequences for society and the economy in 2022, the year 2022 was notable above all for Russia's war of aggression on the territory of Ukraine. Neither event had a significant impact on the course of business.

No other significant events with a decisive influence on the course of Company business in financial year 2022.

2.2 Course of business

Use and definition of financial performance indicators relevant for business

Financial performance indicators such as gross profit, gross profit margin, EBITDA, EBITDA margin, EBIT, EBIT margin or free cash flow are used in addition to the disclosures required by the International Financial Reporting Standards (IFRS) in the Group's annual and interim financial statements to ensure a clear and transparent presentation of 1&1's business development. These performance indicators as used at 1&1 are defined as shown below:

- Gross profit: gross profit is calculated as the difference between sales and expenditures for procured services and merchandise.

- Gross profit margin: the gross profit margin is the ratio of gross profit to revenue.

- EBIT: the EBIT (earnings before interest and taxes) shows the results of operating activities disclosed in the comprehensive income statement.

- EBIT margin: the EBIT margin is the ratio of EBIT to revenue.

- EBITDA: the EBITDA (earnings before interest, taxes, depreciation and amortisation) is calculated as the EBIT plus the write-offs on intangible and tangible assets (items disclosed in the cash flow statement) and write-offs on assets capitalised during the acquisition of companies.

- EBITDA margin: the EBITDA margin is the ratio of EBITDA to revenue.

- Free cash flow: the free cash flow is calculated as the net payments from operating activities (items disclosed in the capital flow statement) less investments in intangible and tangible assets plus payments from the disposal of intangible and tangible assets.

- Cash capex: cash outflows for investments in intangible and tangible assets.

The aforementioned key figures are adjusted for special factors / special effects to the extent necessary for a clear and transparent presentation and are reported under the designation "comparable operating key figures" (e.g. comparable operating EBITDA, comparable operating EBIT or comparable operating EPS). As a rule, the special effects are related solely to those effects that, because of their nature, frequency and / or scope, are capable of negatively affecting the meaningfulness of the financial performance indicators for the financial and income development of the group. All special effects are pointed out and explained in the related chapter of the financial statements for the purpose of the rollover to the unadjusted financial performance indicators.

The financial key figures relevant for the management of the Group are service revenues, EBITDA according to IFRS and cash capex.

Actual and forecast course of business

Forecast course of business – 1&1

1&1 published the forecast for financial year 2022 as part of its 2021 annual financial statements. During the year, figures were corrected for greater precision as shown below:

	Actual 2021	Forecast 2022 (March 2022)	Increase[1] (September 2022)	Actual 2022
Service revenues	€3,123.4m	€3,200.0m	Unchanged from March	€3,175.4m
EBITDA[2]	€671.9m	approx. €670.0m	approx. €690.0m	€693.3m

(1) Increase based on actual course of business.

(2) EBITDA for financial year 2021 excluding the out-of-period income of €39.4 million related to the signing of the national roaming agreement.

Actual course of business – 1&1

The number of chargeable contracts rose by 0.35 million to 15.78 million contracts in financial year 2022. In the mobile internet business, it was possible to acquire 0.49 million customer contracts, raising the number of contracts to 11.68 million. The operational growth in the mobile internet business adjusted for the TKG shift effects (-0.16 million contracts) amounts to 0.65 million contracts. Broadband lines decreased by 0.14 million contracts to 4.10 million, whereby the operational change precluding consideration of the shift effects amounts to -0.05 contracts.

Revenues increased by €54.0 million (1.4 percent) to €3,963.7 million (previous year: €3,909.7 million), and the high-margin service revenues included in this line item rose by 1.7 percent to €3,175.4 million (previous year: €3,123.4 million).

The EBITDA in the Group fell from €711.3 million in the previous year to €693.3 million. The EBITDA of the previous year included positive effects of €39.4 million for the retroactive change in prices to be charged pursuant to the MBA MVNO agreement in financial year 2020. Adjusted for these special effects, the comparable operating EBITDA in the previous year amounted to €671.9 million, so there was an increase of 3.2 percent.

Forecast course of business – 1&1 AG

At the level of the separate financial statements, the Management Board expected sales revenues and the profit for the year in 2022 to be approximately at the level of financial year 2021.

Actual course of business – 1&1 AG

As it is the holding company within 1&1 Group, 1&1 AG’s earnings are highly dependent on the development of the operating results of the subsidiaries. Sales revenues, which result entirely from intra-Group services, amount to €3.5 million (previous year: €3.0 million) and are above the forecast. Other operating expenses increased from €7.4 million to €8.2 million.

Income from profit and loss transfer agreements amounts to €506.6 million (previous year: €549.6 million), The previous year included €39.4 million in out-of-period income at a subsidiary related to the terms and conditions of the new national roaming agreement applicable retroactively from 1 July 2020, which represented a retroactive correction of wholesale prices for financial year 2020.

The write-downs on financial assets relate to an unscheduled write-down on the carrying value under commercial law of the subsidiary 1&1 Telecommunication SE in the amount of €1,338.0 million. The write-down was taken to the fair value on the balance sheet date. The investment in 1&1 Telecommunications SE was recognised in 2017 as part of the acquisition at the then fair value of €5,852.5 million. The underlying evaluation procedure led to a reduction in the fair value because of the significant increase in interest rates over the course of the year.

Net loss for the year amounts to €983.1 million (previous year: net profit for the year of €364.8 million). Without the unscheduled depreciation, the net profit for the year would have been €354.9 million, confirming the expectation expressed in the previous year’s forecast report of a result on a par with the previous year.

Segment development

The Group's business activities are divided into the two business segments "Access" and "1&1 Mobile Network". The "Access" segment comprises the Group's chargeable mobile and broadband access products. The business segment „1&1 Mobile Network" represents all activities related to the construction and operation of 1&1's own mobile network.

Segment „Access"

1&1 once again invested in the acquisition of new customers and in the retention of current customer relationships in financial year 2022 as can be seen in the segment "Access". Focus of activities was on the marketing of mobile internet contracts.

The number of chargeable contracts in the segment "Access" rose by 350,000 to 15.78 million contracts in financial year 2022. The increase results from operational growth of 600,000 contracts and from shifts in the shortened renewal period pursuant to the recent TKG reform in the amount of about -250,000 contracts.

In the mobile internet business, it was possible to acquire 490,000 customer contracts, raising the number of contracts to 11.68 million. Operating growth adjusted for the TKG shift effects (-160,000 contracts) amounts to 650,000 contracts. Broadband lines decreased by 140,000 contracts to 4.10 million, whereby the operational change precluding consideration of the shift effects amounts to -50,000 contracts.

Development of Access contracts in financial year 2022 (in millions)

	31/12/2022	31/12/2021	Change
Access, total contracts	15.78	15.43	+ 0.35
of which mobile internet	11.68	11.19	+ 0.49
of which broadband lines	4.10	4.24	- 0.14

Development of Access contracts in Q4 2022 (in millions)

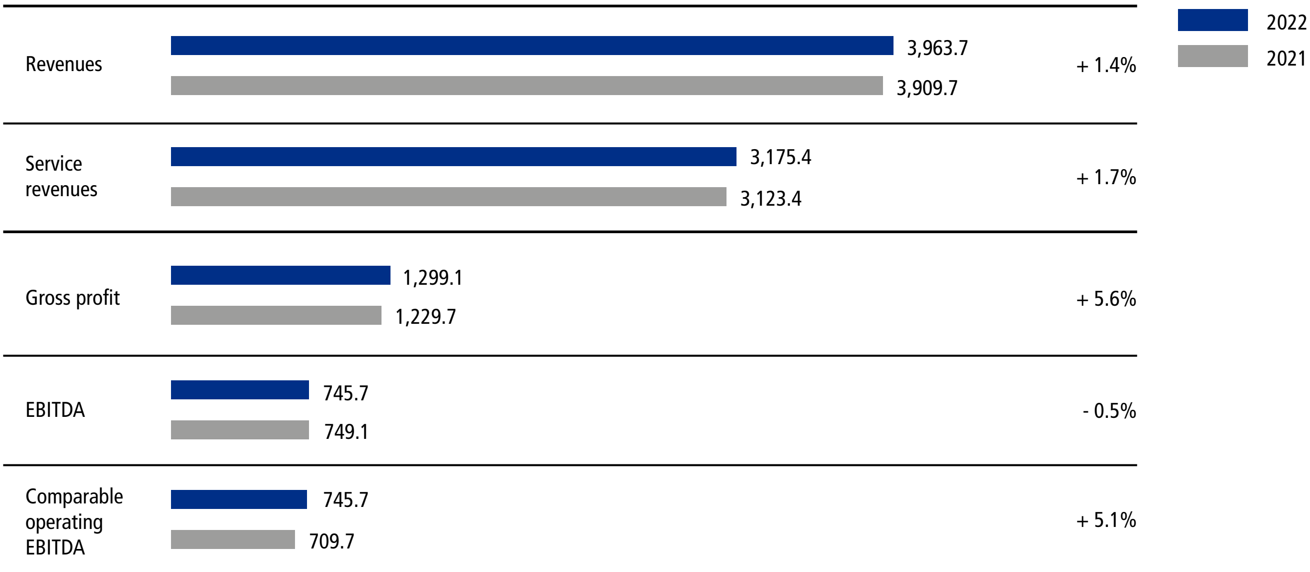
	31/12/2022	30/09/2022	Change
Access, total contracts	15.78	15.65	+ 0.13
of which mobile internet	11.68	11.52	+ 0.16
of which broadband lines	4.10	4.13	- 0.03

In financial year 2022, the Group's business activities were mainly conducted in the "Access" reporting segment. The launch of the 1&1 mobile network took place on 28 December 2022 so that no revenue could yet be generated in the "1&1 Mobile Network" segment. The segment reporting is aligned with the internal organisation and reporting structure.

Revenues in the "Access" segment increased by €54.0 million (1.4 percent) to €3,963.7 million (previous year: €3,909.7 million), and the high-margin service revenues included in this line item rose by 1.7 percent to €3,175.4 million (previous year: €3,123.4 million). In the segment "Access", the cost of materials declined by €15.4 million to €2,664.6 million (previous year: €2,680.0 million). The gross profit in the "Access" segment increased from €1,229.7 million to €1,299.1 million. Gross profit of the previous year includes special effects of €39.4 million for the retroactive change in prices to be charged pursuant to the MBA MVNO agreement in financial year 2020 (comparable operating gross profit of the previous year: €1,190.3 million).

Segment EBITDA is €745.7 million (previous year: €749.1 million). Adjusted for the special effects, the comparable operating EBITDA of the previous year would be €709.7 million. Comparable operating EBITDA in year 2022 was in this case 5.1 percent above the previous year's level.

Major revenue and profit indicators in the segment "Access"



Segment "1&1 Mobile Network"

In the "1&1 Mobile Network" segment, important milestones in the rollout of the 5G mobile network were reached in the financial year. The expansion of the regional edge data centres was driven forward in cooperation with 1&1 Versatel. These data centres are being built in the immediate vicinity of the antenna sites and are connected to antennas exclusively by fibre optic cable. The construction of antenna sites is also progressing. Additional important contracts were concluded with wholesalers in financial year 2022 and the planning of the antenna locations was pushed ahead.

Unfortunately, the original target of 1,000 antenna sites by the end of 2022 could not be achieved. Owing to delays with key expansion partners, 1&1 had installed merely a single-digit number of antenna sites by the end of the year.

Nevertheless, substantial progress was made in the expansion of the network. After a friendly user test launched in the summer was able to confirm the high performance capability of the innovative OpenRAN technology, the network launch with the "1&1 5G at Home" service took place at the end of 2022. This service is a landline substitute product realised via mobile data.

The EBITDA in the segment "1&1 Mobile Network" in the amount of €-52.4 million (previous year: €-37.9 million) contains solely costs related to the construction of the Company's own 1&1 mobile network. While the previous year's activities comprised primarily fundamental activities in preparation for the construction, the activities in 2022 encompassed concrete measures for the rollout of the mobile network.

This explains why expenditures in the "1&1 Mobile Network" segment were reported by and large in cost of sales in 2022 while the expenditures for the basic activities in 2021 were reported mainly in administration expenses. The first sales revenues in the "1&1 Mobile Network" segment are expected in 2023.

2.3 Position of the Group

Earnings position in the Group

	2022 €m	2021 €m
Sales revenue	3,963.7	3,909.7
Cost of sales	-2,734.5	-2,709.9
Gross profit	**1,229.2**	**1,199.8**
Distribution costs	-509.6	-476.5
Administration costs	-110.9	-126.1

	2022 €m	2021 €m
Other operating income / expenses	33.5	27.9
Impairment losses	-107.3	-78.4
Results from operating activities	**534.9**	**546.7**
Financial result	-3.4	-11.6
Profit before taxes	531.5	535.1
Tax expenses	-164.2	-165.1
Group **earnings**	**367.3**	**370.0**

The 1&1 Group continued its unabated course of growth in 2022. This growth was driven above all by the contract customer business. It was possible to increase the number of chargeable customer contracts in comparison with the previous year by 2.3 percent to 15.78 million contracts.

Sales revenues rose by 1.4 percent from €3,909.7 million in the previous year to €3,963.7 million in financial year 2022. The increase in sales revenues is due primarily to the sustainable and high-margin service revenues. Service revenues, which result essentially from the billing of current customer relationships, increased by 1.7 percent to €3,175.4 million. The positive development of service revenues results from the ongoing rise in the number of contract customers and the related monthly payments.

Other revenues, which consist largely of revenues from the realisation of hardware sales (especially from investments in smartphones that are repaid by customers over the contractual minimum term in the form of higher package prices), posted growth of 0.3 percent to €788.3 million and was by and large stable in comparison with the previous year. However, this business fluctuates seasonally and its development depends heavily on the attractiveness of new devices and the model cycles of manufacturers. Regardless, these revenue fluctuations have no significant impact on EBITDA development.

Cost of sales increased in financial year 2022 by €24.6 million (0.9 percent) to €2,734.5 million (previous year: €2,709.9 million). The cost of sales in the business segment "Access" amounts to €2,693.4 million. Cost of sales of the previous year included €39.4 million in out-of-period income related to the terms and conditions of the new national roaming agreement that applies retroactively from 1 July 2020, which represented a retroactive correction of wholesale prices for financial year 2020. Adjusted for this effect, the cost of sales in the „Access" segment decreased by €55.9 million (2.0 percent) in 2022 (previous year: €2.749.3 million excluding out-of-period income). Since the conclusion of the national roaming agreement in May 2021, 1&1 has been entitled to reduce or increase the wholesale capacities that were ordered within contractually defined bandwidths, which has had a positive effect on the cost of sales. For the first time, cost of sales in the amount of €41.1 million for the construction of the mobile network is reported in the business segment "1&1 Mobile Network" in 2022.

The gross profit margin came to 31.0 percent (previous year: 30.7 percent). Gross profit increased by €29.4 million (2.5 percent) from €1,199.8 million in the previous year to €1,229.2 million. The comparable gross operating profit was €1,229.2 million (previous year: €1,160.4 million excluding out-of-period income of €39.4 million) and the comparable gross operating margin was 31.0 percent (previous year: 29.7 percent).

Distribution costs increased by €33.1 million to €509.6 million as a result of further intensification of advertising and marketing campaigns (previous year: €476.5 million). In relation to revenue, distribution costs in 2022 amounted to 12.9 percent (previous year: 12.2 percent).

Administration expenses sank from €126.1 million in the previous year (3.2 percent of revenue) to €110.9 million (2.8 percent of revenue). Administration expenses in the „Access" segment amounted to €98.8 million (previous year: €88.2 million). Administration expenses in the business segment „1&1 Mobile Network" amount to €12.1 million (previous year: €37.9 million) and mainly relate to preparatory measures for the construction and operation of the 1&1 mobile network. These preparatory measures were largely completed in financial year 2022.

The other result amounts to €33.5 million (previous year: €27.9 million) and consists of other operating expenses of €2.5 million (previous year: €1.8 million) and other operating income of €36.0 million (previous year: €29.7 million).

Impairment losses on receivables and contract assets amounted to €107.3 million (previous year: €78.4 million). The main drivers for the significant increase in value allowances are above all higher payment default rates as well as the raised blocking limits for defaulting customers pursuant to the reformed Telecommunications Act. In the course of financial year 2022, the fiscal burdens on people have increased noticeably; since March 2022, inflation rates in Germany have been well over 7 percent – the highest level in decades. This has made itself felt in an increase in defaults. In financial year 2021, in contrast, the restrictions imposed by the German government because of the coronavirus pandemic still had positive effects on the payment default rates. The increase in the blocking limits leads to an increase in the amounts subject to a value allowance for payment defaults.

EBITDA amounted to €693.3 million in 2022 (previous year: €711.3 million) and was 2.5 percent below the figure for the comparable period of the previous year. The comparable operating EBITDA increased by 3.2 percent (previous year: €671.9 million without taking into account the out-of-period income related to the national roaming agreement). The EBITDA margin was 17.5 percent (previous year: comparable operating EBITDA margin excluding €39.4 million in out-of-period income was 17.2 percent).

Earnings before interest and taxes (EBIT) amounted to €534.9 million in financial year 2022 (previous year: €546.7 million and comparable operating EBIT €507.3 million). The EBIT margin was 13.5 percent (previous year: 14.0 percent and comparable operating EBIT margin 13.0 percent). Precluding the effects from PPA write-offs, the EBIT amounted to €598.6 million and the EBIT margin to 15.1 percent (previous year: comparable operating EBIT €594.9 million and comparable EBIT margin 15.2 percent).

Financing expenses in 2022 amounted to €8.3 million (previous year: €13.0 million). As in the previous year, the financing expenses in financial year 2022 include expenses similar to interest incurred because of the acquisition of the 5G frequencies. 1&1 has agreed with the Federal Ministry of Transport and Digital Infrastructure (BMVI) and the Federal Ministry of Finance (BMF) to pay the costs of the acquired 5G frequencies in twelve annual instalments. In return for the deferral, 1&1 has committed to building hundreds of mobile sites in so-called „white spots", giving the investment costs a character similar to interest. The share of the total investment attributable to financial year 2022 year is €6.5 million (previous year: €11.0 million).

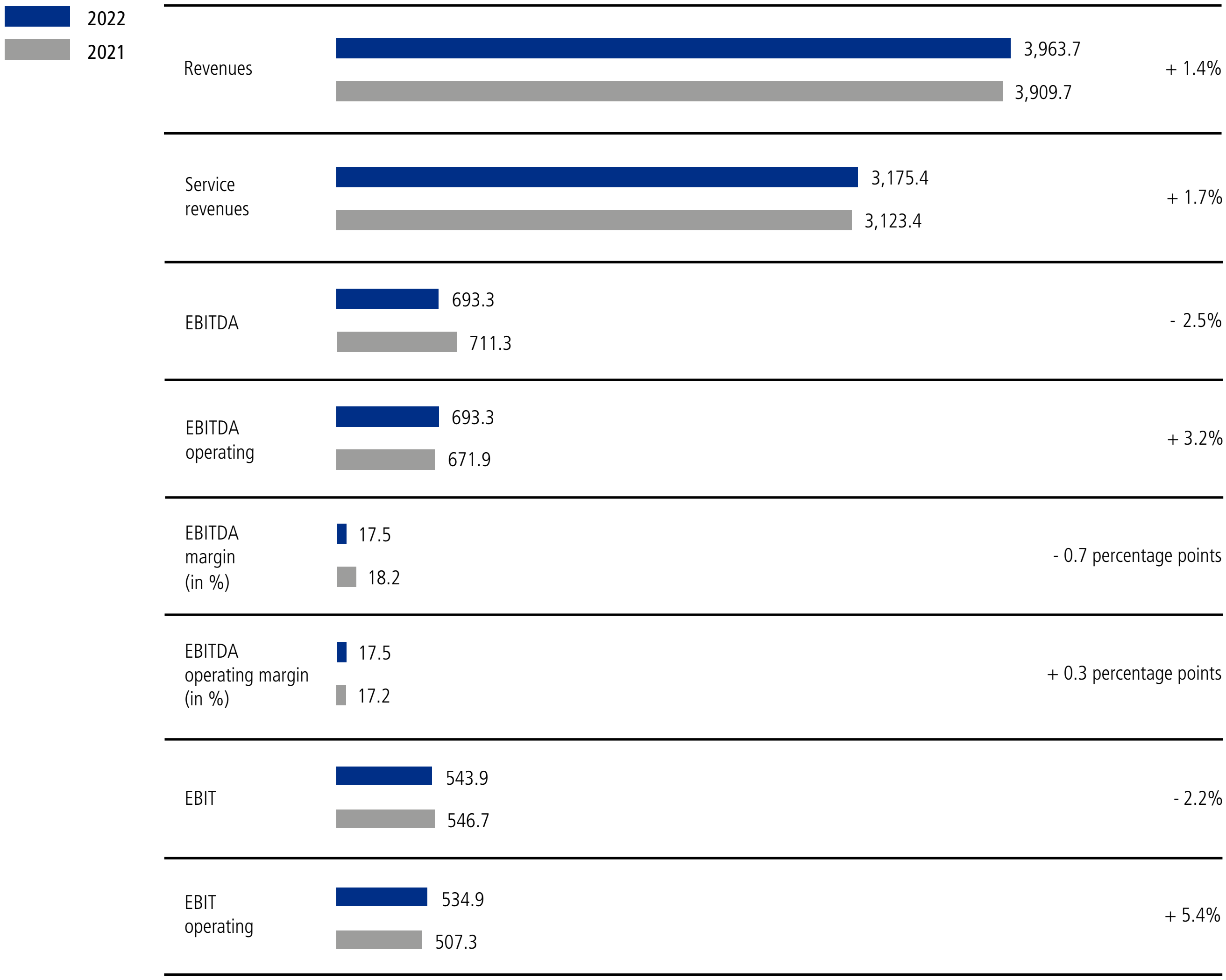
Financial income in 2022 amounted to €4.9 million (previous year: €1.4 million) and represents as in the previous year primarily interest on the cash investment at United Internet AG.

Earnings before taxes (EBT) amounted to €531.5 million in financial year 2022 (Previous year: €535.1 million and comparable operating EBT €495.7 million). Tax expenses amounted to €164.2 million (previous year: €165.1 million). As in the previous year, the tax rate came to 30.9 percent.

Consolidated earnings amounted to €367.3 million (previous year: €370.0 million).

Undiluted profit per share in 2022 came to €2.08 (previous year: €2.10). Precluding the effects of the PPA write-offs, the undiluted profit per share in 2022 amounted to €2.34 (previous year: €2.45).

Major revenue and profit indicators (in €m)



Financial position in the Group

Cash flow from operating activities amounted to €531.0 million in 2022, slightly above the previous year's figure of €523.8 million. Net inflow of funds from operating activities sank from €432.0 million in the previous year to €180.6 million. In addition to higher advance tax payments, the decline in net cash inflows from operating activities resulted primarily from increased trade receivables, an increase in inventories and reduced trade payables. In comparison with the previous year, the cash flow was burdened by the advance payments for the FTTH / VDSL allotment agreement that has been in effect since April 2021. Furthermore, rising hardware sales result in an increased commitment of funds to the contract assets, which are repaid over the term of the contracts.

Cash flow from investment activities includes for the first time significant amounts for investments in the 1&1 mobile network, causing the investments in intangible and tangible assets to rise to €249.4 million (previous year: €37.4 million). The investments in the rollout of the 1&1 mobile network relate mainly to payments on account for software that is required for the operation of the network. Transactions in short-term cash management included a repayment of €148.0 million of the short-term cash investment after free cash amounting to €313.0 million was invested for a short term in the previous year. These payments relate to the short-term investment of free cash with United Internet AG.

Free cash flow, defined as net inflow of funds from operating activities less investments in intangible and tangible assets plus inflow of funds from disposals of intangible and tangible assets, amounted to €-64.5 million in 2022 (previous year: €394.8 million). Besides the changes in net inflow from operating activities, the decline results above all from the investments in the 1&1 mobile network.

As in the previous year, the cash outflows from financing activities of €61.3 million resulted from the repayment of liabilities related to the acquisition of the 5G frequencies. In addition, outgoing payments in the financial year are related to the dividend disbursement and the repayment of liabilities from finance leases.

The cash and cash equivalents per 31 December 2022 amounted to €4.7 million (previous year: €4.6 million).

Assets and liabilities in the group

The balance sheet total increased from €7,063.7 million per 31 December 2021 to €7,257.1 million per 31 December 2022. On the assets side, the increase is accounted for by long-term assets at €237.0 million. Short-term assets fell by €43.6 million in comparison with the previous year to €1,855.2 million.

At €4.7 million, cash and cash equivalents are essentially at the previous year's level of €4.6 million. Trade receivables increased by 8.0 percent over the previous year to €267.8 million.

The decrease in short-term assets in the amount of €147.3 million is attributable primarily to accounts due from associated companies. The development results from the investment of free liquidity at United Internet AG, which declined by €148.0 million from €713.0 million to €565.0 million.

At €120.4 million (31/12/2021: €96.5 million), inventories are above the level of the previous year, in particular because of higher purchase prices for higher-value smartphones and owing to a significant stockpiling of new smartphones close to the reporting date. Short-term contract assets include in particular receivables from the sale of hardware and increased by €28.9 million compared to the end of the year. Short-term prepaid expenses rose from €183.4 million to €214.0 million and relate essentially to contract costs and prepaid utilisation fees that will not be recognised through expenditures until later periods.

At €25.3 million, other financial assets are at a similar level to the previous year. Other non-financial assets decreased by €4.3 million compared to the previous year.

Long-term assets increased by €237.0 million to €5,401.9 million. The increase in tangible assets of €119.7 million results in particular from the investments made in the 1&1 mobile network. The reduction of €18.2 million in intangible assets compared to the previous year is primarily the result of scheduled amortisation on the assets identified as part of the 1&1 purchase price allocation. Goodwill remains unchanged from the previous year at €2,932.9 million. Long-term contract assets increased by €10.9 million.

Long-term prepaid expenses increased from €272.7 million per 31 December 2021 to €396.9 million per 31 December 2022 and comprise basically advance payments made pursuant to long-term purchase contracts and long-term capitalised costs to obtain and fulfil contracts. The increase results in particular from the long-term prepayment on FTTH and VDSL allotments pursuant to the agreement with 1&1 Versatel for the procurement of broadband wholesale services.

On the liabilities side, the increase in the balance sheet total of €360.6 million is attributable to equity. Long-term liabilities decreased from €1,188.5 million in the previous year to €1,127.5 million and short-term liabilities fell from €656.0 million in the previous year to €549.7 million.

Trade accounts payable fell from €262.6 million to €229.1 million.

Accounts due to related parties concern companies of the United Internet Group and amount to €77.9 million (31/12/2021: €85.2 million).

Contract liabilities in the amount of €48.3 million (31/12/2021: €48.7 million) include short-term liabilities from reimbursement obligations for one-time fees for revoked contracts and deferred income from one-time fees related to the application of IFRS 15.

Short-term other financial liabilities amount to €121.5 million and are close to the same level as the previous year. Short-term other non-financial liabilities relate in particular to VAT owed and have decreased to €39.7 million (31/12/2021: €89.9 million) because of a change in the prepayments.

The long-term contract liabilities in the amount of €7.3 million (31/12/2021: €7.4 million) include long-term income from one-time fees that is to be deferred in accordance with the application of IFRS 15.

The long-term other financial liabilities decreased by €60.4 million to €857.7 million, which essentially resulted from the repayment of the frequency liability in the amount of €61.3 million.

Deferred tax liabilities rose by €4.7 million from €219.4 million per 31 December 2021 to €224.1 million per 31 December 2022.

Group equity rose from €5,219.2 million per 31 December 2021 to €5,579.8 million per 31 December 2022. Following the disbursement of dividends of €8.8 million, the increase in equity of €360.6 million results in particular from the consolidated profit of €367.3 million.

The equity ratio rose from 73.9 percent in the previous year to 76.9 percent per 31 December 2022.

The subscribed capital is distributed in 176,764,649 no-par shares issued to the bearer with a proportionate share in the share capital of €1.10. As at the balance sheet date, 1&1 AG holds 465,000 shares in treasury stock (31/12/2021: 465,000), and the issued share capital of 1&1 AG amounts to €193.9 million.

General statement from the Management Board regarding the Group's economic position

The Management Board of 1&1 looks back positively on the year 2022. Important successes were posted in the development of the new 1&1 mobile network. Progress in the construction of the regional data centres complied with scheduling, initial tests confirmed the performance of the innovative OpenRAN technology and in December 2022, the mobile network began operation with the product "1&1 5G at Home", a replacement product for landline networks realised via mobile communications. However, the construction of a new mobile network remains challenging as demonstrated by the unexpected delays in the construction of antenna sites.

In its operating business, 1&1 was able to hold its own against the competition and further consolidate its position in the market. As expected, the changes in the Telecommunications Act had a one-off negative effect on the contract portfolio, but 1&1 was nevertheless able to increase further its customer base with an increase of 0.35 million to 15.78 million. Service revenues increased because of the new contracts by 1.7 percent to €3,175.4 million. Comparable operating EBITDA increased by €21.4 million to €693.3 million. As the previous year's forecast (€670.0 million) was significantly exceeded, an adjustment of the forecast to €690.0 million was made by ad hoc announcement on 30 September 2022.

Overall, the Management Board regards 1&1 Group to be in an excellent position for its continued corporate development, both per the closing date of financial year 2022 and at the point in time of preparation of this report. The Board has a positive assessment of the assets and liabilities, the financial position and earnings – subject to the reservation of unforeseen special effects – and is optimistic in its outlook for the future.

2.4 Position of the Company

Earnings position of 1&1 AG

	2022 €m	2021 €m
Sales revenues	3.5	3.0
Other operating income	3.0	0.7
Cost of materials	0.0	-0.2
Personnel expenses	-1.9	-5.3
Other operating expenses	-8.2	-7.4
Income from profit transfer agreements	506.6	549.6
Expenses from loss transfers	-1.4	0.0
Other interest and similar income	14.1	4.1
Write-downs on financial assets	-1,338.0	0.0
Interest and similar expenses	-1.1	-0.4
Profit before taxes	**-823.4**	**544.1**
Taxes	-159.7	-179.3
Net profit for the year	**-983.1**	**364.8**

At the level of the annual financial statements of 1&1 AG prepared in accordance with commercial law principles, sales revenues rose to €3.5 million (previous year: €3.0 million). The sales revenues result largely from intercompany services. Other operating income rose over the previous year to €3.0 million (previous year: €0.7 million) because of the reversal of provisions.

Personnel expenses fell by €3.4 million to €1.9 million, which can essentially be explained by the fact that the previous year's personnel expenses included expenses from stock options in the amount of €1.9 million. Other operating expenses increased by €0.8 million to €8.2 million (previous year: €7.4 million).

The balance of income and expenses from profit and loss transfer agreements at €506.6 million is €43.0 million below the previous year's value (previous year: €549.6 million). The previous year included €39.4 million in out-of-period income from the transfer of profit of Drillisch Online GmbH, which was related the terms and conditions of the new national roaming agreement applicable retroactively from 1 July 2020 and which represented a retroactive correction of wholesale prices for financial year 2020.

Interest income amounts to €14.1 million (previous year: €4.1 million) and essentially includes interest income on receivables from profit and loss transfer and interest income within the scope of group-wide cash management. The increase is above all due to higher interest rates. The write-downs on financial assets relate to an unscheduled amortisation of the carrying value under commercial law of the subsidiary

1&1 Telecommunication SE in the amount of €1,338.0 million. The write-down was taken to the fair value on the balance sheet date. The investment in 1&1 Telecommunications SE was recognised in 2017 as part of the acquisition at the then fair value of €5,852.5 million. The underlying evaluation procedure led to a reduction in the fair value because of the significant increase in interest rates over the course of the year. Interest expenses rose to €1.1 million (previous year: €0.4 million) and include interest expenses within the framework of group-wide cash management.

The deduction of taxes on income of €159.7 million (previous year: €179.3 million) leaves a net loss for the year of €983.1 million (previous year: net profit for the year of €364.8 million). Without the unscheduled depreciation, the net profit for the year would have been €354.9 million.

Assets and liabilities and financial position of 1&1 AG

The balance sheet total for 1&1 AG decreased by €1,054.1 million to €6,558.4 million in financial year 2022 (31/12/2021: €7,612.5 million). Fixed assets, which consist almost entirely of shares in affiliated companies, have declined from the previous year to €5,158.9 million (31/12/2021: €6,496.7 million). The change results from the unscheduled depreciation on the carrying value of the holding in 1&1 Telecommunication SE. The write-off is taken as part of the valuation process because of an increased interest rate.

Current assets rose by €282.8 million to €1,397.6 million (31/12/2021: €1,114.8 million). The change of €277.8 million relates in particular to accounts due from associated companies, which increased to €1,386.8 million (31/12/2021: €1,109.0 million). This is due above all to the short-term investment of free cash and cash equivalents at United Internet AG (€565.0 million, 31/12/2021: €713.0 million) and at companies of the 1&1 Group (€499.3 million, 31/12/2021: €181.9 million).

The liquidity of 1&1 AG is ensured by the positive cash flows from the operating activities of its subsidiaries and the account due from United Internet AG that can be called in at any time. Moreover, within the framework of the cash management agreement concluded between 1&1 AG and United Internet AG in financial year 2018, 1&1 can draw on a maximum of €200.0 million in cash from United Internet AG, securing 1&1's financing capability.

Other assets rose from €2.5 million in the previous year to €7.7 million and essentially include claims for taxes.

Cash and cash equivalents amount to €3.1 million, down from €3.3 million in the previous year.

Equity decreased to €6,456.2 million (31/12/2021: €7,448.1 million). The change is a consequence of the net loss for the year of €983.1 million and the disbursement of dividends in the amount of €8.8 million.

An equity ratio of 98.4 percent (31/12/2021: 97.8 percent) means that almost all assets continue to be financed by equity.

Tax provisions amount to €28.5 million per 31 December 2022 (31/12/2021: €41.9 million). At €1.4 million (31/12/2021: €4.2 million), other provisions are below the previous year's figure. The decline is due in particular to the decreased provisions within the framework of the employee stock ownership programme.

The decline in liabilities from €118.2 million to €72.2 million relates in particular to other liabilities, with a decrease of €49.2 million to €35.6 million (31/12/2021: €84.8 million), which mainly concern VAT liabilities. As in the previous year, the accounts due to associated companies concern primarily liabilities within the framework of the cash management agreement to companies within the 1&1 Group.

As in the previous year, there was a surplus of deferred tax assets in financial year 2022 that was not recognised in exercise of the option pursuant to section 274 (1) second sentence Commercial Code [*Handelsgesetzbuch; HGB*].

General statement regarding the Company's economic position

The assumption made in the previous year that sales revenues would remain constant was exceeded slightly. With a net loss for the year of €983.1 million, the annual result does not correspond to the forecast made in the previous year. Without the unscheduled depreciation, the net profit for the year would have been €354.9 million, confirming the expectation expressed in the previous year's forecast report of a result on a par with the previous year (previous year: net profit for the year €364.8 million). The Management Board is highly satisfied with the financial year, in particular due to the positive operational development of the subsidiaries, but above all in terms of contract growth and results for the year as well as the important steps taken for the rollout and operation of the 1&1 mobile network.

Overall, the Management Board regards 1&1 AG to be in an excellent position for its continued corporate development, both per the closing date of financial year 2022 and at the point in time of preparation of this report. The Board has a positive assessment of the assets and liabilities, the financial position and earnings and is optimistic in its outlook for the future.

In view of the additional investments that will be still be required for the construction and rollout of the Company's own 1&1 mobile network, the 1&1 AG Management Board is submitting the following dividend proposal (which is in harmony with the dividend policy) for financial year 2022 to the Supervisory Board:

- Disbursement of a dividend of €0.05 per share. This proposal is oriented to the minimum dividend required by section 254(1) AktG. Assuming 176.3 million shares entitled to dividends, this would result in a total disbursement of €8.8 million for financial year 2022.

Management Board and Supervisory Board will discuss this dividend proposal in the Supervisory Board meeting on 29 March 2023. The Annual General Meeting of 1&1 AG will adopt a resolution about the motion proposed jointly by Management Board and Supervisory Board on 16 May 2023.

2.5 Principles and objectives of the financial and capital management

The financing of the group is handled centrally by the parent company 1&1 AG. The top priority of the financial management at 1&1 is to secure the Company's liquidity at all times. Liquidity reserves are always maintained in such an amount that any and all payment obligations can be met on time. Liquidity is secured on the basis of detailed financial planning. Business operations are financed from cash flow and free cash. Surplus liquidity is invested with the parent company United Internet AG at arm's length conditions as part of short-term cash management.

In view of the construction of its own mobile network, 1&1 is planning a significant increase in investments in the coming years. The Management Board expects to be able to finance the majority of these investments from current operating cash flows and free cash and cash equivalents. Wanting to achieve this goal while simultaneously rolling out the 1&1 mobile network sustainably without resorting to third-party financing, 1&1 has retained as much of its profits as possible over the past years. In this sense, the 1&1 AG Management Board will propose to the Annual General Meeting the adoption of a resolution for the disbursement of a dividend in line with the legal minimum for financial year 2022 as well. Whether and when liquidity will become available for a disbursement in excess of this amount in the course of the construction of the mobile network will become apparent solely as construction proceeds and the required funds are invested.

2.6 Corporate Responsibility

The Management and Supervisory Boards of 1&1 AG consider it their duty to ensure the continued existence of the Company and sustainable added value through responsible corporate governance oriented to the long term. The fundamental philosophy of 1&1 sees entrepreneurial action as going beyond the pursuit of commercial goals to include a commitment to society, the environment, employees and other stakeholders.

In this sense, 1&1 AG complies with its reporting obligation pursuant to the "Act to Strengthen Non-Financial Reporting by Companies in their Management and Group Management Reports" (CSR-Richtlinie- statutory; CSR-RUG) (sections 315b and 315c in conjunction with section 289c HGB) and publishes the summarised non-financial statement (nfE) as part of a separate sustainability report. Furthermore, the Company also fulfils its reporting obligation pursuant to the Delegated Regulation (EU) 2020/852 of the European Parliament and discloses the share of environmentally sustainable business activities in the Sustainability Report.

The Company's Sustainability Report 2022 will be published in March 2023 (at https://www.1und1.ag/unternehmen#nachhaltigkeit) and provides both the disclosures required by the CSR-RUG and other transparency requirements of stakeholders. The non-financial report (nfB) contained in the Sustainability Report contains the legally required and supplementary information on the aspects that are material for 1&1: „Environmental concerns" (chapter: Responsibility for our environment), "Employee concerns" (chapter: Responsibility for our employees), "Social concerns" and "Respect for human rights" (chapter: Responsibility in the supply chain) and "Combating corruption and bribery" (chapter: Responsible corporate governance). These aspects, which are stipulated as a minimum in the CSR-RUG, are supplemented by "Responsibility for products and customer-related matters". These are material topics for 1&1 and must be reported. In addition to customer satisfaction, customer-related matters include information security, privacy and digital transformation in general – all of which are particularly relevant to the sector. This is why these topics are presented in a separate chapter entitled "Digital responsibility". In preparing this report, we have followed the "Sustainability Reporting Standards" of the Global Reporting Initiative (GRI) and internationally recognised guidelines for the preparation of sustainability reports along with the CSR-RUG. The nfB was prepared in reference to the GRI standards. Both the CSR-RUG and the GRI standards expect presentation of information on how the material topics and their impact are managed (in particular the associated goals and measures) and the procedures used for risk identification and mitigation. The CSR-RUG uses the term "policy" ("*Konzept*") in this context, whereas the GRI speaks of the "management approach". The latter is also used in 1&1's nfB and also includes the policies as defined in the CSR-RUG. What is more, we have consulted the European Commission's guidelines for reporting on non-financial information, which refer to the EU Directive 2014/95/EU regarding disclosure of non-financial and diversity information by large enterprises and groups with an orientation to capital markets on which the CSR-RUG is based.

In determining the content of the nfB, the materiality principle was applied and the expectations of 1&1's stakeholders were included. The main requirements used to define the material topics were those set forth in the GRI standards, the CSR-RUG and the aforementioned EU guidelines. We observed the GRI Reporting Principles (2016) of "Stakeholder Inclusiveness", "Sustainability Context", "Materiality" and "Completeness" during the definition process. The Supervisory Board of the Company is responsible for reviewing the content of the sustainability reporting.

3. Supplementary Report

1&1 lodged a complaint with the Federal Cartel Office on 24 February 2023. The subject of the complaint is what 1&1 considers to be ongoing obstructions in the rollout of its 5G mobile network by Vodafone GmbH. From 1&1's point of view, this delays its own network expansion; however, this does not have any significant financial impact.

4. Risks, opportunities and forecast report

The risk and opportunity policy of 1&1 Group is oriented to the goal of maintaining and sustainably increasing the Company's value by taking advantage of opportunities and identifying and controlling risks at an early stage. The risk and opportunity management as practised ensures that 1&1 can carry out its business operations in a controlled corporate environment.

The risk and opportunity management regulates the responsible handling of uncertainties that are always a part of entrepreneurial activities.

4.1 Risk report

Risk management

The risk management system is an integral component of corporate policy aimed at early exploitation of opportunities and the detection and limitation of risks. 1&1 operates a risk management system throughout the Group that includes continuous monitoring to ensure early Identification and the standardised recording, assessment, control and monitoring of risks. These standards are constantly adapted to changing framework conditions and continuously developed.

To ensure the Company's consistent success in the conflict between opportunities for profit and the threat of loss, risks are taken into consideration during the decision-making process systematically and in accordance with standards that uniform throughout the Group. Risk management is a strategic success factor for corporate management – for 1&1 AG itself as well as for the subsidiaries.

The system complies with the legal requirements for an early risk detection system, is in harmony with the German Corporate Governance Code and in its design is based on the guidelines defined in the international ISO standard ISO 31000:2018. The Supervisory Board reviews the effectiveness of the risk management system in accordance with the provisions of the Stock Corporation Act.

Risk management methods and objectives

The risk management system comprises the measures that enable 1&1 to identify at an early stage potential risks that could jeopardise the achievement of its corporate objectives through assessments and early warning systems and to identify, control and monitor them from the perspective of monetary and scenario criteria. The goal of the IT-supported risk management system established throughout the Group is to provide management with the greatest possible transparency regarding the actual risk situation, its changes and the available options for action to enable the conscious acceptance or avoidance of risks.

The Management and Supervisory Boards receive reports on the risk situation four times a year. The results are discussed by both the Management Board and the Supervisory Board, in particular by the Audit and Risk Committee set up for this purpose.

An ad-hoc reporting obligation is triggered in the event of identified significant risks and risk changes that have an immediate effect. The risk is immediately reported to the 1&1 AG chief financial officer, who may also choose to report to the Supervisory Board. The procedure means that significant risks can be addressed as quickly as possible.

The assessment of risks is carried out in a net consideration, i.e. effects due to mitigating measures are taken into account in the risk assessment solely after the implementation of the measure.

Internal control system[1]

The internal control system (ICS) of 1&1 AG encompasses the entire organisation and serves to maintain the functionality and efficiency of business processes, the reliability of operational information, the safeguarding of assets and compliance with rules. In this sense, the controls that are in place include compliance with the target processes, the "principle of two sets of eyes" and the separation of functions. The controls are defined on the basis of uniform categorisations per process and are carried out partly centrally and partly locally throughout the Group. Defined processes involving the competent positions in the business divisions and process experts ensure that process and organisational risks are countered by preventive measures. All units of the Group jointly assess the existence of organisational and process risks in cooperation with risk management and assess whether these could have an impact on the ICS. Steps for the improvement of the ICS that also involve consultations with experts are initiated regularly. Monitoring is based on the three pillars of risk management, group audit and external auditors. Group Internal Audit evaluates and improves governance processes and risk management and assesses the adequacy and effectiveness of the ICS during audits that are regularly conducted on a random basis.

Description of the major features of the internal financial control and risk management system relating to the accounting process

The internal controlling system in 1&1 Group includes all of the principles, procedures and measures needed to secure the effectiveness, correctness and economic efficiency of the accounting and to assure compliance with the pertinent legal requirements. Besides the manual process controls in the form of the "two sets of eyes principle," automatic IT process checks also form a major part of the integrated controlling measures.

The risk management system in 1&1 Group as a component of the internal control system is oriented, with respect to the accounting, to the risk of misrepresentation in the bookkeeping and the external reporting. A "monitoring system for the early recognition of risks threatening the Company's existence" has been set up in 1&1 Group and at 1&1 AG to ensure the systematic early detection of risks so that other risks besides those threatening the existence of the enterprise are detected early, controlled and monitored. The bookkeeping systems from the manufacturer SAP are used for the posting of accounting items in 1&1 Group while the consolidation software from the manufacturer IDL is used at the Group level.

Risks related to accounting can arise from the conclusion of unusual or complex transactions, for example. Moreover, business transactions that are not handled as a matter of routine entail latent risks. The measures of the internal control system related to the correctness of the accounting ensure that all of the business transactions are recorded completely and contemporaneously in conformity with legal and statutory requirements. Furthermore, it is assured that assets and liabilities are correctly recognised, measured and disclosed in the annual financial statements. The controlling activities include the analysis of material circumstances and developments, for example, using special indicator systems. The organisational separation of administrative, executive, billing and approval functions significantly reduces vulnerability to fraud. The internal controlling system also assures the representation of changes in the economic or legal environment of 1&1 Group and ensures the application of any new or amended legal provisions for the accounting.

Summarised assessment of the internal control and risk management system:

The Management Board is not aware of any circumstances arising from the regular review of the internal control and risk management system up to the time of the preparation of the combined management report that would speak against or call into question the appropriateness and effectiveness of these systems.[1]

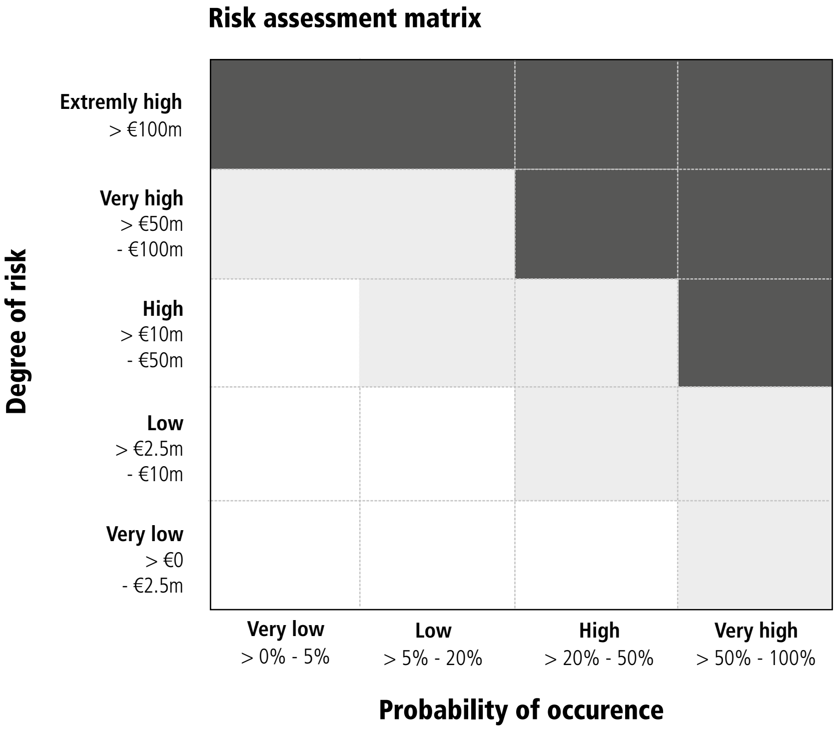
Risks in the 1&1 Group

The assessment of the overall risk situation is the result of a consolidated consideration of all known material risks. From the totality of these risks identified in the Group, the following sections explain the main risk areas from the Company's point of view.

The starting point for assessing the materiality of the risks is the likelihood of occurrence and the extent of the risk. The extent of the risk includes the potential loss of revenue and potential external and internal

1 The information in the marked sections is not part of the management report in the sense of the explanations in the preliminary remarks to this management report.

expenses. Based on the combination of likelihood of occurrence and extent of risk, the risks are categorised into the three risk ratings "Significant", "Moderate" and "Low" as follows.



Specific assessments by the Company's Management Board regarding the risk situation of the Group as well as the likelihood of occurrence, potential harm or loss and the resulting risk classification of the risks described below can be found at the end of this risk report.

Risks in the area of "Strategy"

Participations and investments

The acquisition and holding of participating interests and strategic investment activities represent a significant success factor for 1&1 AG. Besides enabling better access to existing and new growth markets and to new technologies / know-how, participations and investments also serve to develop synergy and growth potential. These opportunities are accompanied by risks. There is a risk that the hoped-for potential cannot be exploited as expected or that acquired investments will not develop as expected (write-downs of going-concern value, losses on disposals, loss of dividends or reduction in hidden reserves).

All participations are therefore subject to a continuous monitoring process. This risk is largely irrelevant for the EBITDA as its occurrence results primarily in non-cash impairment losses. The recovery value of the investments that have been made is regularly monitored by management and financial controlling.

Business development and innovation

An important factor for continuing 1&1's success is the development of new and continuously improved products and services so that new customers are acquired and current customer relationships are strengthened. The risk here is that the introduction of new developments to the market will be too late or that the target group will not accept them as expected.

1&1 counters these risks by closely and constantly monitoring market, products and competition and by responding to customer feedback at all stages of product development.

Within the context of the diversification of the business model and the expansion of the added-value chain, 1&1 occasionally enters new markets or upstream or downstream markets. For example, the Management Board of 1&1 AG, with the approval of its Supervisory Board, has decided to build and operate a high-performance 5G mobile network based on the mobile frequencies in the 2 GHz and 3.6 GHz bandwidths acquired in 2019. By constructing and operating its own network, the Company plans to further increase the added value in the mobile business, to open up new business areas and to obtain greater independence from the procurement of wholesale services from other network operators.

1&1 is building the mobile network in a special partnership with the Japanese technology group and proven OpenRAN expert Rakuten as general contractor. Together, Rakuten and 1&1 are building Europe's first fully virtualised mobile network based on the innovative OpenRAN technology. The use of OpenRAN technology increases independence from network outfitters. There are still risks that the network cannot be built at the expected speed. Problems in procuring the necessary hardware or delays in finding locations are potential risks.

1&1 has placed great emphasis on minimising these risks during the selection of its partners for the network rollout. For example, Rakuten, the general contractor partner for active network technology, was the first and only network outfitter in the world to build a mobile network based on the new OpenRAN technology in Japan, so 1&1 can benefit from the experience and learning curve from this project. The partners for the passive technology are established leaders for radio tower infrastructure in Europe so that 1&1 can benefit from an infrastructure that is already in place.

Nevertheless, the first delays in the construction of antenna sites occurred in 2022. The delays were due to delivery problems of subcontractors. Delays in network construction can force the procurement of more wholesale services and products than planned until the mobile network is fully established, which would have a negative impact on added value.

Wanting to counter these risks adequately, 1&1 has entered into further partnerships for the acquisition of antenna sites and for its own construction of antenna sites.

Cooperation and outsourcing

In some of the business units, 1&1 cooperates with specialist cooperation and outsourcing partners. The primary objectives of such cooperative activities include (among others) the concentration on the Company's actual core business, cost reductions or participation in the partner's expertise. These opportunities simultaneously entail risks in the form of dependencies on external service providers as well as risks related to contracts and failures.

To reduce these risks, a detailed market analysis and a due diligence review are carried out before a contract is concluded with an external service provider, and even after the conclusion of the contract, close interaction in the spirit of partnership is maintained with the cooperation and outsourcing partners.

Organisational structure and decision-making

The selection of a suitable organisation structure is essential for the efficiency and success of the our Company. Besides the organisational structure, however, business success is also decisively dependent on making the right decisions. The basis for decisions is affected by existing business processes and structures. If efficiency is jeopardised by one or more factors, this represents a strategic risk for 1&1 that, insofar as economically justifiable, should be avoided.

1&1 sees itself well positioned here due to the high level of agility in the organisation and is carrying out a variety of measures to optimise and standardise structures, processes and key figures.

Personnel development and retention

Highly qualified and well trained employees are the foundation for the commercial success of 1&1. In addition to the successful recruiting of qualified personnel (see also the risk "Personnel recruitment"), personnel development and the long-term retention of key employees in the Company are of strategic importance for 1&1.

If the Company does not succeed in recruiting, developing further and retaining executives and employees with special professional or technological expertise, there is a danger that 1&1 might no longer be in a position to carry out its business activities effectively and to achieve its growth targets. Where strategic knowledge and skills have been brought together in such a concentration (so-called brain monopoly), the loss of one of these key employees can have a significant impact on the Company's ability to perform.

1&1 counters this risk by ensuring the continuous further development of employee and managerial competencies and establishing rules for representation. Specific measures for professional advanced further developments, mentoring and coaching programmes and special programmes for high-potential candidates that are designed to foster and promote the talents and managerial competence of the staff are offered.

Market

Sales market and competition

The German telecommunications market is characterised by stiff and constant competition. Depending on the strategy of the players participating in the market, various effects can appear that may require inter alia a modification of the Company's own business model or adjustments in its own price policies. The delivery of hardware within one working day or an on-site replacement of defective devices on the next working day requires an adequate stock of devices. This may result in impairment losses over time if market prices for devices change. Market entries of new competitors can also pose a danger to market shares, growth targets or profit margins.

1&1 seeks to minimise these risks with detailed planning based on in-company experience values and external market studies as well as the constant monitoring of market and competition.

Owing to the progress realised by the measures, the risk rating was reduced from moderate to low compared to 31 December 2021.

Procurement market

A gap in the procurement or supply of resources required for company operations can lead to bottlenecks or operational disruptions at 1&1. This is true of both the purchase of hardware and the procurement of advance services. Changes to the existing models of the terms and conditions for advance services (for example, price increases or changes in billing modalities) may result in margin and earnings risks. A price increase in the purchased products and other services also represents a risk for the product margin targets.

1&1 counters these risks by cooperating in partnership with multiple service providers and suppliers bound by long-term contracts and – insofar as economically justifiable – expanding its own added-value chain.

The future operation of the 1&1 mobile network will be accompanied by increased power requirements. Rising energy prices as a result of political measures or for ecological reasons can have a negative impact on added value. 1&1 will define and implement appropriate countermeasures as soon as these risks become more concrete.

The risk rating has been raised from low to moderate compared to 31 December 2021 against the background of the development of the Company's own mobile network.

Personnel recruitment

The effective management of personnel resources is of key importance for 1&1 so that the short-, middle- and long-term demands for employees and the required professional expertise can be secured. If the Company does not succeed in recruiting executives and employees with special professional and technological expertise, 1&1 might no longer be in a position to carry out its business activities effectively and to achieve its growth targets.

In terms of its position as an employer, 1&1 sees itself in a good position to attract and hire qualified professionals and managers with the potential to enhance business success in the future as well.

Risks in the area of "Service performance"

Work procedures and processes

Demands on the continued development of internal work procedures and processes are rising at an accelerating pace in this setting of steadily increasing complexity and interoperability of the offered products. This goes hand in hand with steadily growing alignment and coordination efforts. The special challenge in this sense – besides assuring quality standards – is above all the adaptation to market events that are occurring in ever shorter cycles.

The Company counters these risks with constant further development and improvement of internal procedures and processes, the specific bundling and binding of experts and personnel with key competencies and the continuous optimisation of the organisational structures.

Cyber and information security

1&1 realises its corporate success almost exclusively in the internet sector. Within the scope of the business processes, information and telecommunications technologies (data centres, transmission systems, switching nodes etc.) are used for service performance; they are tightly meshed with the internet and their availability can be jeopardised by threats from the internet. For instance, DDoS attacks (DDoS = Distributed Denial of Service) can result in an overload on technical services or in server failures.

The current monitoring and alert system, including the necessary processes and documentation, is continuously optimised so that such risks can be warded off more and more quickly.

There is also the risk of a hacker attack with the objective of illegally obtaining or deleting customer data or of misusing services.

1&1 counters this risk by using virus scanners, firewall concepts, tests it has initiated itself and various technical control mechanisms.

The potential for threats from the internet represents for 1&1 one of the largest risk groups in terms of possible impact; overall, they are monitored by a large and varied number of technical and organisational measures. Particularly noteworthy in this context are the operation and the continuous improvement of the security management system and the constant expansion of the systems' resilience.

Capacity bottlenecks

The planned service performance can be jeopardised because of temporary or long-lasting shortages of resources, and this can in turn lead to losses of revenues.

The Company stays in close contact with suppliers regarding the emergency concepts agreed with them to counter this risk.

Projects

The classic project goals of quality, time and budget are set before or at the start of a project and are the subject of entrepreneurial planning. If potential risks become apparent during early stages of planning or project planning or if negative deviations from these plans become apparent during the implementation of a project, they are recorded under risks. In addition, there may also be risks in projects that have no impact on the project itself, but arise afterwards (e.g. security vulnerabilities in a new software code).

Active project management implements risk-reducing measures during the project itself. The aforementioned risks are reduced by the regular conduct of specialised project management training courses in addition to the continuation of the professional project management already in place, highlighting even further aspects such as security or privacy requirements. Project goals are also closely monitored by management and controlling.

In the course of rolling out and operating the mobile network, 1&1 encounters a broad range of technical risks. There is the challenge of connecting the Company's own mobile network to the Telefónica network within the scope of national roaming and creating the technical conditions for efficient network use. A delayed interconnection of the two mobile networks would have a negative impact on the profitability of the Company's own network. One of the elements here is the necessity to migrate customers to the Company's own network. If this does not succeed as planned, it could lead to dissatisfaction among the affected customers and ultimately to a loss of customers.

1&1 launched projects for connecting the networks and customer migration at an early stage and developed concepts in collaboration with the partners to ensure the success of the technical implementation of interconnection and customer migration. Preparations for the launch of national roaming in the second half of 2023 are on schedule.

The risk rating of the specific risk has been raised from low to moderate. In financial year 2022, the risk class "Projects" is presented separately in the management report for the first time due to the progress of the network construction (previously listed under "Business development and innovations").

Technical system operation

The 1&1 products and the business processes required for them are based on a complex technical infrastructure and a broad range of software systems critical for success (servers, customer management databases, statistics systems etc.). The constant adaptation to changing customer needs leads to ever growing complexity of this technical infrastructure and the need for regular modification. In consequence of these actions as well as because of more extensive transitions such as migrations of data records, there are many different possibilities of disruptions or service failures. If, for instance, service systems were affected, 1&1 would no longer be able to provide the warranted services to its customers, either long-term or temporarily.

The Company counters these risks by means of specific architectural adaptations, quality assurance measures and a spatially separate (geo-redundant) design of the core functions.

Moreover, various security precautions based on software and hardware have been implemented to protect infrastructure and availability. The distribution of tasks ensures that actions or business transactions involving risks are not performed by one employee alone, but are carried out in accordance with the "two sets of eyes principle". Manual and technical access restrictions also ensure that employees are active solely in their purviews. An additional security measure to prevent data loss is the regular backup of existing data records and storage in geo-redundant data centres.

Risks in the area "Compliance"

Data protection

The possibility that data protection regulations will be violated because of human error, technical weak points or other factors can never be completely precluded. In such a case, 1&1 would be at risk of having to pay fines and of losing the trust of its customers.

1&1 stores its customers' data on servers in data centres certified in accordance with international security standards and operated by the Company itself as well as in leased facilities. The handling of these data is subject to extensive statutory requirements, and compliance with these requirements is regularly reviewed.

The Company is aware of its immense responsibility and places a high value on data protection, paying especially close attention to ensuring customers' privacy. 1&1 continually invests in the improvement of its data protection standards by employing the latest technologies, constantly reviewing data protection and other legal requirements, conducting an extensive training programme on data protection laws for employees and integrating privacy aspects and requirements in product development at the earliest possible stage.

The new provisions of the EU General Data Protection Regulation (GDPR) have been in force since May 2018. The stricter sanctions for breach of obligations that have been implemented heighten the impact of data protection risks. In addition to implementing tougher sanctions, the EU GDPR contains new regulations regarding declarations of consent and new reporting obligations to government authorities and data subjects in the event of loss of data.

In comparison with 31 December 2021, the risk rating has risen from low to moderate. The change is attributable to an increase in complexity relating to the processing of customer data (owing to the amount of data available to network operators and other factors) caused by the network rollout and, as a result, the raised risk rating.

Misconduct and irregularities

Non-compliance or non-observance of social norms, trends and special circumstances can lead to misconduct and wrong decisions and ultimately to revenue losses and defaults. As it is a nationally operating company, 1&1 is also faced with the challenge of countering such negative factors through adequate management in the area of internal procedures and processes.

1&1 counters the risks from misconduct and irregularities with, among other things, the "culture of togetherness", the provision of a code of conduct for management and the viewing of compliance as an integral part of the corporate culture.

Legislation and regulation

Amendments of current legislation, the passage of new laws and changes in government regulatory actions can have unexpectedly negative effects on the business model in place at 1&1 and on further developments. Decisions of the Federal Network Agency and the Federal Cartel Office [Bundeskartellamt] result in the most significant influence on network access and the design of the internet access rate plans. Price increase by the grid operators from which 1&1 procures wholesale services for its own customers could have negative effects on the profitability of the rate plans. Equally, there is the possibility that a lack of regulation will cause the market environment for 1&1 to worsen.

1&1 counters the regulation risk, which has a tendency to rise, through its collaboration with multiple advance services partners and proactive association work. Moreover, 1&1 has access to the landline network via 1&1 Versatel GmbH, an affiliated company in the United Internet Group. This access to the network infrastructure gives 1&1 the opportunity to extend the depth of its added-value generation and to reduce the procurement of broadband advance services from third parties.

Moreover, 1&1 has a long-term entitlement to a share of the entire network capacity of Telefónica Germany that can be raised to a maximum of 30 percent, the only MBA MVNO in Germany to have such an entitlement, giving the Company extensive access to the largest mobile network in Germany and to all available mobile technologies such as 5G.

The acquisition of frequencies in 2019 by 1&1 was subject to the fulfilment of certain regulatory requirements. Among others, 1&1 was obligated to begin operation of 1,000 5G base stations, distributed proportionately across the individual federal states, by the end of 2022. Owing to delivery difficulties on the part of the wholesalers engaged by 1&1 to provide the antenna sites, 1&1 missed this target for the end of 2022 by a significant margin. Compliance with the frequency requirements is closely monitored by the Federal Network Agency. The sanction for non-compliance could be a fine and, in the most extreme case, the revocation of the frequency use rights. As a result of the missed expansion target at the end of 2022, the Federal Network Agency is currently considering a corresponding sanction in the form of a fine. In addition, there are requirements that the mobile network must cover 25 percent of households in 2025 and 50 percent in 2030. Failure to meet these targets could also result in fines or, in the most extreme case, withdrawal of frequencies.

1&1 is dependent on the allocation of required frequencies by the Federal Network Agency for the development of its high-performance 5G mobile network. For example, low-band frequencies will presumably be reallocated in 2026. There is a risk that 1&1 will not be considered in the allocation of these frequencies and that there will instead be a renewal of the frequency allocation to the incumbent operators. In this case, 1&1 would have to increase its purchase of wholesale services, which would have a negative impact on added value. Owing to their physical properties, the low-band frequencies have a greater range and better penetration than high-band frequencies, enabling cost-effective coverage in rural areas with mobile masts that are far apart and also contributing to good reception inside buildings.

Legal disputes

1&1 is currently involved in various litigation and arbitration proceedings that result from its normal business activities. In 2019, one advance services provider filed claims in the low three-digit million range (the Company's internal classification defines amounts up to €333 million as a low three-digit million amount; even the total of the filed claims does not exceed this amount). 1&1 regards the claims from each of the opposing parties to be unfounded and does not consider an outflow of resources to be likely. By their nature, the results of legal disputes are uncertain and therefore represent a risk. To the extent that the amount of the obligation can be reliably estimated, the risks from the legal disputes have been given due consideration in the provisions.

Tax risks

1&1 is subject to legal tax provisions that are in effect. Risks can arise from changes in tax laws or court precedents and from varying interpretations of existing provisions.

1&1 counters these risks by continuously expanding the scope of its tax management.

Risks in the area "Finances"

Financing

Financial liabilities that are primarily incurred by 1&1 AG as part of the financing of its business activities include loans, overdraft facilities and other financial liabilities. The Company was not required to obtain any additional funding during the reporting period. 1&1 has at its disposal various financial assets that result immediately from its business activities. They essentially comprise accounts due from group undertakings.

1&1 and its activities are by their nature vulnerable to risks on the financial market. This is especially true of risks from changes in interest rates.

Fraud and bad debt losses

Ordering and delivery processes at 1&1 – as is true of many large companies in mass market business – are largely automated so that dynamic customer growth can be handled effectively and services and products can be provided as quickly as possible, all in the interest of our customers. Automated processes of this type are by their nature vulnerable to fraudulent activities. As a consequence of the high appeal of the offered products and services, the number of defaulters and fraudsters increases along with the number of customers. The consequence is growth in bad debt losses. For instance, 1&1 could suffer losses from hardware orders that are placed using a false identity and are never paid. Losses can also be incurred from the misuse of SIM cards, e.g. through massive call diversions or roaming calls.

1&1 seeks to prevent fraud attacks or, as a minimum, to recognise such attempts at an early stage and to stop them by permanently expanding the scope of its fraud management, through close cooperation with advance services providers and through the appropriate design of its products and services. In the combined management report for financial year 2021, 1&1 reported the risk of so-called "smishing" attacks on mobile subscribers. During the course of 2022, 1&1 developed technical solutions to counteract this risk so that it no longer represents a significant risk at present. The risk rating has been reduced from significant to moderate.

Liquidity

1&1's liquidity risk arises essentially from the possibility that the Company will be unable to meet its financial obligations (e.g. the repayment of financial debt). The Company's objective is to cover continuously its financial requirements and to ensure flexibility by using overdrafts and loans as well as by investing and raising cash and cash equivalents at United Internet AG.

Demand and surplus of cash and cash equivalents are determined centrally for the entire group in cash management. The number of external bank transactions is held to a minimum by netting of demand and surplus within the Group. The Company has established standardised processes and systems for the management of its bank accounts and the internal clearing accounts and for the execution of automated payment transactions.

Interest

The Company is vulnerable to interest rate risks because funds are generally obtained from and invested with United Internet AG at variable interest rates (1M EURIBOR + margin) and for terms of varying lengths. The Company constantly reviews the various investment and acquisition opportunities for cash and the terms and conditions of the financial obligations on the basis of its liquidity planning. Any need to obtain financing is covered by suitable instruments for liquidity management.

The goal of the financial risk management is to limit risks through ongoing operating and finance-oriented activities.

There is a risk of unscheduled write-downs as a result of rising interest rates in both the separate annual financial statements and the consolidated financial statements of 1&1 AG. During the conduct of valuation procedures, rising capitalisation interest rates can lead to lower fair values even if parameters are otherwise unchanged. In the separate annual financial statements, this relates in particular to the valuation of the participating interests in the subsidiaries. In the consolidated financial statements, this relates in particular to goodwill and assets not yet available for use.

Risks in the area of "External events – force majeure"

External events such as natural disasters (earthquakes or flooding), personnel crises (pandemics or epidemics) or infrastructural crises (damage to the road network, restriction of the energy supply) can lead to impairment of 1&1's business operations. 1&1 counters these risks as far as possible with a variety of different measures; their scope was expanded even further in response to the coronavirus pandemic. Regular development and review of the emergency concepts and training in their provisions are part of the standards at 1&1.

A new outbreak of the coronavirus (e.g. a new virus variant) may have a negative impact on demand from consumers and businesses and on their purchase of advance services (e.g. smartphones, routers, servers or network technology) or their liquidity. Restrictions on international travel may lead to a reduction in roaming contribution margins just as working from home over the longer term may lead to additional costs for voice use. An essential factor for the successful mastering of the pandemic is also reflected in the health and operational capability of the employees and ultimately also affects the performance of 1&1.

Russia's war of aggression on the territory of Ukraine and its political and economic consequences also harbour far-reaching risks. In particular, there are negative consequences for the overall economy, including rising prices for energy and persistent inflation. In the course of 2022, the overall economic conditions deteriorated significantly. In particular, the prices for energy and food continue to represent a major burden on people, and experts expect inflation to remain exceptionally high. An increase in payment defaults was noted in financial year 2022 and had a negative impact on earnings. A permanently high inflation rate and, as a consequence, similarly high payment defaults are expected for financial year 2023. This effect has been given due regard in the planning.

General statement from the Management Board regarding the risk situation of Company and Group

The assessment of the overall risk situation for 1&1 AG and 1&1 Group is the result of a consolidated consideration of all major risk areas and specific risks, taking into account interdependencies.

From today's perspective, the most significant challenge for 1&1 AG and 1&1 Group is presented by the risk areas "Legislation and regulation" and "Legal disputes".

By continually expanding the scope of its risk management, 1&1 counters these risks and limits them, in so far as reasonable, to a minimum by implementing specific actions.

The assessment of the major risk fields or specific risk positions were, as is natural, subject to fluctuations during financial year 2022 because of the development of external conditions as well of the impact of the Company's own countermeasures. The overall risk situation for 1&1 AG and 1&1 Group has not essentially changed in comparison with the previous year.

In assessing the overall risk situation, the opportunities available to 1&1 AG and to 1&1 Group are not taken into account. Risks threatening the existence of 1&1 AG and 1&1 Group from either specific risk positions or the overall risk situation were discernible neither during the financial year 2022 nor on the date of preparation of this report.

The probability of their occurrence, potential losses and the classification of the risks from the Group perspective and their relevance:

	Material segment relevance	Probability of occurrence	Extent of risk	Risk classification	Development in comparison with previous year
Risks in the area of "Strategy"					
Participations & Investments	Access	Very low	Very low	Low	→
Business Development & Innovation	1&1 Mobile Network	High	High	Moderate	→
Cooperation & Outsourcing	Access	Very low	Very low	Low	→
Organisational Structure & Decision Making	Access	Very low	Very low	Low	→
Staff development & retention	Access	Very low	Very low	Low	→
Risks in the area "Market"					
Sales market & competition	Access	Very low	Very low	Low	↘
Procurement market	1&1 Mobile Network	High	Low	Moderate	↗
Recruitment market	Access	High	Very low	Low	→
Risks in the area of "Service performance"					
Workflows & processes	Access	Very low	Very low	Low	→
Information security	Access	Low	High	Moderate	→
Capacity bottlenecks	Access	Very low	Very low	Low	→
Projects	1&1 Mobile Network	Low	High	Moderate	↗
Technical plant operation	Access	Very low	Very low	Low	→
Risks in the area "Compliance"					
Data protection	Access	Low	High	Moderate	↗
Misconduct & non-compliance	Access	Very low	Very low	Low	→
Legislation & Regulation	1&1 Mobile Network	Low	Extremely High	Significant	→
Litigation	Access	Low	Extremely High	Significant	→
Tax risks	Access	Very low	Very low	Low	→
Risks in the area "Finances"					
Financing	Access	Very low	Very low	Low	→
Fraud & bad debt	Access	Very high	Low	Moderate	↘
Liquidity	Access	Very low	Very low	Low	→
Interest	Access	Very low	Very low	Low	→
Risks in the area of "Force majeure"					
Force majeure	Access	Very low	Very low	Low	→

↘ Improved → Unchanged ↗ Worsened

4.2 Opportunities report

Opportunities management

The opportunities management is rooted in the strategic planning and related actions for the development of products and their positioning in the various target groups and on the different markets during the product lifecycle.

The group Management Board and the operating management level (management boards and managing directors of subsidiaries) are directly responsible for the early and continuous identification, assessment and management of opportunities.

The 1&1 AG management concerns itself intensely with detailed analyses, models and scenarios related to current and future industry and technology trends, products, markets / market potential and competitors in the Company's environment. The potential of the opportunities identified during such strategic analyses are evaluated subsequently in the context of the critical success factors and of the existing general conditions and possibilities for 1&1 AG, discussed among Management Board, Supervisory Board and the operations managers during the planning meetings, then implemented in concrete measures, targets and milestones.

Progress and success of the actions are continuously monitored by the operations managers and by the managing directors and executive officers of the Company.

Opportunities

1&1's stable business model, which is largely unaffected by economic fluctuations, secures plannable revenues and cash flows, thereby opening up the financial flexibility necessary to take advantage of opportunities in new business fields and on new markets, whether organically or through participations and corporate takeovers.

Broad strategic positioning on growth markets

In view of the positioning on today's growth markets, the Company's growth opportunities from a strictly strategic perspective are obvious: increasingly powerful landline and mobile access products that are available everywhere and at all times make possible new and more complex applications. 1&1 believes that these internet-based applications for private users, freelancers and small companies will, from today's perspective, be the growth drivers in the coming years in the segment "Access".

Participation in market growth

Despite the uncertain general economic conditions, 1&1 as well as many of the leading industry analysts expect a positive development on the German telecommunications market that is of major importance for the Company. Thanks to its highly competitive Access products, the strong and well-known brands, the high selling power and the current business relationships with millions of customers (potential for cross- and upselling), 1&1 is in a good position to secure its share of the expected market growth in the business segment "Access".

Expansion of market positions

1&1 is today one of the leading companies in the sector of internet-based access services in Germany, serving 15.8 million customers. By building on its available technological know-how, the high quality of products and services, the brand awareness of the group's brand names such as 1&1, smartmobil.de or yourfone, the business relationships with millions of customers and the strength of customer loyalty, 1&1 believes that its chances to expand its current market shares are good.

Entry into new business fields

The core competencies at 1&1 also include the ability to recognise customer wishes, trends and the related new markets at an early stage. The breadth of the added-value chain (from product development and data centre operation to effective marketing and an efficient sales force to active customer care) makes it possible for 1&1 to introduce innovations on the market quickly and to market them intensely.

Development of our own 5G mobile network

On 12 June 2019, 1&1 successfully completed its participation in the auction of 5G frequencies and purchased two frequency blocks of 2 x 5 MHz each in the 2 GHz bandwidth and five frequency blocks of 10 MHz each in the 3.6 GHz bandwidth for a total price of €1.07 billion. In addition, 1&1 has leased frequencies from Telefónica for the rollout of its own 1&1 mobile network. These are two frequency blocks of 10 MHz each in the 2.6 GHz bandwidths. The two frequency blocks will be available to 1&1 until 31 December 2025. The Company plans to use these frequencies for the step-by-step buildup of a high-performance 5G mobile network, increasing its added value in the mobile communications business as well and developing new business areas.

1&1 is building here in Germany Europe's first mobile network based on OpenRAN technology. 1&1's decision to employ the novel and innovative OpenRAN technology indicates the Company's desire to set itself apart from the competition in the future as it becomes the only network operator to exploit fully the potential of 5G.

This choice will offer to 1&1 future strategic options for all applications that rely on fast internet, short latency times and stable data transfers. The capability will become an essential building block for growth related to various applications on the horizon, especially in view of the arrival of the Internet of Things.

A base of 11.7 million mobile customers and 4.1 million broadband customers together with access to one of the largest fibre optic networks in Germany is evidence that 1&1 offers the best prerequisites for exploiting the high potential of 5G in Germany.

Access to the second-largest optic fibre network in Germany

As it is a member company of United Internet Group, 1&1 has access to the 1&1 Versatel telecommunications network, one of the largest and most powerful fibre optic networks in Germany. In addition, 1&1 has had access to Deutsche Telekom's fibre optic network via 1&1 Versatel since April 2021. The network infrastructure provided by 1&1 Versatel GmbH or purchased via Deutsche Telekom gives 1&1 the opportunity to increase its added value and the number of its customers on the growth market of fibre optics.

According to a study by Dialog Consult / VATM, the number of customers with 1 Gbit/s line bandwidth has increased substantially compared to the previous year. This indicates the tremendous opportunity that access to Deutsche Telekom's fibre optic network represents for 1&1.

Access to Telefónica mobile network

1&1, the only MBA MVNO in Germany in this position, is entitled long-term to as much as 30 percent of the utilised network capacity of Telefónica Germany, assuring the Company of extensive access to the largest mobile services network in Germany. 1&1 has contractually assured, unlimited access to all products and technologies available at this time (e.g. LTE) and in the future (e.g. 5G) in the Telefónica network and, on this basis, can continue to expand its market position and business volume in the coming years. Unrestricted access to LTE as well as to even more sophisticated future technologies guarantees to 1&1 the long-term flexibility it needs to be independent in the design of new products, ensuring fair competition on equal footing with the three German mobile network operators.

The contract with a term until the middle of 2025 and the option of a further extension for another five years offer 1&1 the opportunity for further long-term and continued successful corporate development as well as a high degree of planning security.

Moreover, 1&1 can coordinate its brand management and customer address for activities aimed even more specifically at the premium and discount segment on the German mobile services market and take advantage of the differing positions of its brand names to realise the broad and comprehensive address of various target groups.

1&1 was able to conclude a national roaming agreement with Telefónica Germany based on the MBA MVNO contract, bringing it one step closer to its goal of becoming a licensed mobile network operator. As part of the conclusion of the national roaming contract, the wholesale prices pursuant to the MBA MVNO contract were also newly agreed. The price reduction mechanism familiar from the initial term of the contract has now been reinstated in the first renewal phase. In addition, 1&1 is able to cancel capacity on a quarterly basis.

Acquisitions and participations

Along with its organic growth, 1&1 continuously examines opportunities to acquire companies and to obtain strategic participations. Thanks to the plannable and high cash flow of operations, 1&1 has powerful resources to finance its activities itself and has as well good access to capital markets so that it can seize opportunities that present themselves in the form of acquisitions and participations.

Summary of opportunity and risk position

The opportunity and risk situation for current business remains essentially unchanged compared to the previous year. As the rollout of the mobile network progresses, both opportunities and risks are becoming more concrete. The opportunities and risks described here are the major opportunities and risks which have been identified at this time. The possibility that further major opportunities and risks that at this time have not been recognised by management exist or that the proability of the occurrence of such opportunities and risks has been wrongly assessed as negligible cannot be precluded. Adequate precautions have been taken to counter any probable risks. There are at this time no known risks which would threaten the Company's existence.

4.3 Forecast report

This report contains certain statements oriented to the future which are based on the current assumptions and projections of the Company's management. Various risks, uncertainties and other factors, both known and unknown, can cause the actual results, financial position, development or performance of the Company to deviate substantially from the assessment shown here.

Economic expectations

In its World Economic Outlook of 30 January 2023, the International Monetary Fund (IMF) updated its forecasts for the development of global economies in 2023 and 2024. The IMF assumes that the global economy will cope with the consequences of the Russian war of aggression in Ukraine and the continuing high inflation somewhat better than initially feared. Nevertheless, in its World Economic Outlook for 2023, the fund expects global growth of only 2.9 percent (compared to 3.4 percent in 2022), but sees the outlook as “less gloomy” than in October 2022. In this respect, the IMF does not expect the global economy to slip into recession in 2023 – a possibility that economists had not ruled out in the autumn. The IMF forecasts growth of the global economy of 3.1 percent in 2024.

However, the IMF report also lists a number of risks that would lead to a deterioration of the economic situation: a further intensification of the coronavirus situation in China, an escalation of the Russian war of aggression and a debt crisis due to the tight monetary policy of the central banks.

Following 1.9 percent in 2022, the IMF expects economic growth for Germany of 0.1 percent in 2023 and 1.4 percent in 2024. The Fund’s projections of growth of 0.1 percent and 1.4 percent in 2023 and 2024, respectively, are slightly below the forecasts of the German government, which assumed growth of the price-adjusted gross domestic product of 0.2 percent in 2023 and 1.8 percent in 2024 in its Annual Economic Report 2022 issued on 25 January 2023.

The German government has become slightly more confident in its assessment of the economic situation than it was just a few months ago and now expects a small plus for 2023 instead of a recession. Giving its reasons for the slight increase in expectations, it mentions in particular the resilience of the German economy, which has proven to be stable despite supply chain bottlenecks, sanctions against Russia and the halt in Russian gas deliveries.

Industry / market expectations

Despite the challenges posed by war, supply bottlenecks, inflation and a shortage of skilled workers, the industry association Bitkom expects the German ICT market as a whole to grow by 3.8 percent in 2023 (previous year: 4.0 percent). Revenues are expected to rise above the €200-billion mark for the first time, reaching €203.4 billion.

The market for information technology is expected to grow at an above-average rate in 2023 just as in the previous year and further enhance its importance as the largest industry segment. According to Bitkom calculations, sales are expected to increase by 6.3 percent (previous year: 6.6 percent) to €126.4 billion in 2023. The software segment, which is especially driven by cloud business, is expected to post the strongest growth, rising by a robust 9.3 percent (previous year: 9.4 percent) to €38.8 billion. Sales in IT hardware are also expected to increase significantly by 5.3 percent (previous year: 5.4 percent) to €39.7 billion. The IT services business, which includes IT consulting and other segments, is expected to post stable growth of 4.7 percent (previous year: 5.5 percent) to €47.8 billion.

The consumer electronics market, on the other hand, remains under pressure. According to the Bitkom forecast, sales are expected to fall again in 2023 by -7.3 percent (previous year: -8.2 percent) to €7.6 billion.

The most important ITC market from the perspective of 1&1's business model is the German telecommunications market (broadband lines and mobile internet) in the "Access" business unit, which is financed largely by subscriptions.

Telecommunications market in Germany

The industry association Bitkom expects the moderate growth on the German telecommunications market from the previous year to continue. The market is projected to rise in total by 0.9 percent (previous year: 1.3 percent) to €69.5 billion.

Investments in telecommunications infrastructure are expected to be the strongest in this segment at 2.5 percent (previous year: 7.3 percent), rising to €7.7 billion. Sales of consumer devices such as smartphones are expected to grow by 2.3 percent (previous year: 1.8 percent) thanks to increasing demand for high-end devices in the premium segment and devices with 5G capabilities and post the figure of €12.1 billion. In contrast, business with telecommunication services is stagnating, posting revenue of €49.7 billion according to Bitkom calculations – a minimal increase of 0.1 percent (previous year: 0.3 percent). According to Bitkom assessments, an increase in revenues from telecommunication services – despite higher bandwidths, more data volume and increasing use – is virtually impossible at present in view of the fierce price competition.

Market forecast: telecommunications market in Germany (in €bn)

	2023	2022	Change
Revenue	69.5	68.9	+ 0.9 %

Source: Bitkom, January 2023

Forecast for financial year 2023

The 1&1 AG Management Board expects an increase of about 2 percent in service revenues to approximately €3.2 billion for all of financial year 2023 (2022: €3.175 billion). Operating EBITDA is expected to be around €655 million (2022: €693.3 million). The "Access" business segment will contribute to this with growth of approximately 4 percent to about €775 million (2022: €745.7 million) and the "1&1 Mobile Network" segment with approximately €-120 million (2022: €-52.4 million). Operating growth in customer contracts is expected to be +500,000 in 2023 (2022: 600,000 operating growth in customer contracts). The investment volume (cash capex) is expected to be around €320 million (2022: about €250 million).

At the level of the separate financial statements, the Management Board expects revenue for 2023 to be roughly on a par with the level of financial year 2022 and a largely unchanged result for the year, adjusted for the unscheduled depreciation.

General statement from the Management Board on presumable development

After good progress was made in the development of the Company's own mobile network in 2022, the focus in 2023 will be on the expansion of antenna sites, which is currently lagging behind expectations. In the second half of the year, the Company's own mobile network will be interconnected with Telefónica's network as a national roaming service and the migration of customers to the Company's own network will also begin. 1&1 remains on track to achieve the planned coverage rate of 50 percent of all households well before the end of 2030 and, together with its expansion partners, will do everything in its power to fully make up for the delay that has now occurred in the ramp-up of the network rollout.

The 1&1 Management Board expects the operation of our own mobile network to secure greater independence from wholesale services providers and, as a result of the greater depth of the added value, to lay a solid foundation for the successful development of the Group. Thanks to its excellent current position on the telecommunications market with 15.8 million customers and to the opportunity to respond even more precisely to customer needs with tailored products and offerings that will come with its own network operation, the Management Board believes that 1&1 is well positioned to take the future steps of the Company's development, and the Board is optimistic about the future.

The Management Board expects growth in the "Access" segment, especially in the area of mobile access, for the year 2023. Thanks to a business model that is based for the most part on electronic subscriptions, 1&1 views its position as by and large stable and secure from economic fluctuations. 1&1 will continue to pursue this sustainable business policy in the coming years. In view of the successful start to the year and of the situation at the time of the issue of this report as well, the Management Board believes that the Company is well on its way to realising the goals explained in greater detail in the above section "Forecast for financial year 2023".

Future-oriented statements and forecasts

This report on the position of the Company and the Group contains future-oriented statements that are based on the current expectations, assumptions and forecasts of the 1&1 AG Management Board and on the information available to the Board at this time. The future-oriented statements are subject to various risks and uncertainties and are based on expectations, assumptions and forecasts that may possibly prove in future to be false. 1&1 does not guarantee that the future-oriented statements will prove to be true, and it neither assumes any obligation, nor does it have the intention, to adjust or update any future-oriented statements made in this report.

5. Supplementary Information

5.1 Supplementary disclosures in accordance with section 289a HGB and section 315a HGB (disclosures relevant for an acquisition)

The subscribed capital amounts to €194,441,113.90 and is distributed in 176,764,649 no-par shares issued to the bearer with a proportionate share in the share capital of €1.10. Each share is the equivalent of one vote. The securitisation of the stock is precluded. In accordance with sections 84 and 85 AktG in conjunction with section 7 of the Company by-laws, the Management Board is appointed and recalled by the Supervisory Board. Any amendments to the Company by-laws must be adopted in conformity with legal statutes (sections 179 et seqq. AktG) by the General Meeting. Moreover, the Supervisory Board is authorised to amend the Company by-laws provided that such amendments affect only the wording. Per 31 December 2022, United Internet AG, Montabaur, held 78.32 percent of the 1&1 AG stock.

Approved Capital 2018

Pursuant to a resolution adopted by the Extraordinary General Meeting on 12 January 2018, the Management Board was authorised, subject to the consent of the Supervisory Board, to increase the Company's share capital by a total of €97,220,556.40 by single or multiple issues of new no-par shares against cash and / or contributions in kind (Approved Capital 2018) by 11 January 2023.

The Management Board's authorisation to increase the share capital was withdrawn by the Annual General Meeting on 18 May 2022 insofar as it has not yet been utilised.

Approved Capital 2022

Pursuant to a resolution adopted by the Annual General Meeting on 18 May 2022, the Management Board was authorised, subject to the consent of the Supervisory Board, to increase the Company's share capital by a total of €97,220,556.40 by single or multiple issue of new no-par shares against cash and / or contributions in kind (Approved Capital 2022) by 17 May 2027.

In the event of cash contributions, the new shares issued by the Management Board may, subject to the consent of the Supervisory Board, also be taken over by one or more banks or other companies fulfilling the prerequisites of section 186(5) first sentence AktG, subject to the obligation to offer them for subscription solely and exclusively to the shareholders (indirect subscription right). As a matter of principle, a subscription right is to be granted to the shareholders. However, the Management Board is authorised, subject to the consent of the Supervisory Board, to preclude shareholders' subscription rights:

- So that fractional amounts are excluded from the subscription right;

- If the capital increase is achieved by cash contributions and the issue price of the new shares is not significantly lower than that of the shares already traded on the exchange at the time of the final determination of the issue price, which should take place as contemporaneously as possible with the placement of the shares. The number of shares issued subject to exclusion of the subscription pursuant to section 186(3) fourth sentence AktG may not exceed 10 percent of the share capital, neither at the point in time at which this authorisation becomes effective nor at the point in time that it is exercised. Any shares that are issued or that are to be issued pursuant to options or convertible bonds must be attributed to this figure to the extent that the bonds are issued during the term of this authorisation in application mutatis mutandis of section 186(3) fourth sentence AktG in exclusion of subscription rights; moreover, any shares that are issued or sold during the term of this authorisation in direct application or application mutatis mutandis of section 186(3) fourth sentence AktG must be attributed to this figure;

- To the extent required to ensure that a subscription right can be granted to holders or creditors of option and / or conversion rights or of equivalent option and / or conversion obligations from bonds that have been or are issued by the Company and / or by companies dependent on the Company or in which the Company holds a majority interest, either directly or indirectly, equivalent to the subscription right to which such holders or creditors would be entitled after exercise of their option and / or conversion right or after fulfilment of the option and / or conversion obligation;

- If the capital increase against contributions in kind is carried out for the purpose of issuing shares within the framework of corporate mergers or of acquiring companies or parts of companies, holdings in companies or other assets;

Furthermore, the Management Board is authorised, subject to the consent of the Supervisory Board, to determine the further content of the stock rights and the terms and conditions of the issue of the shares. The Supervisory Board is authorised to amend the current version of the Articles of Association in accordance with the specific utilisation of the Approved Capital 2022 or after the expiration of the authorisation.

Contingent Capital 2018

The share capital has been contingently raised by up to €96,800,000.00 by the issue of up to 88,000,000 new no-par shares issued to the bearer (Contingent Capital 2018).

At the Annual General Meeting of 18 May 2022, the existing authorisation from the Extraordinary General Meeting of 12 January 2018 to issue 88,000,000 new shares, was withdrawn to the extent not yet utilised.

Contingent Capital 2022

The share capital has been contingently raised by up to €96,800,000.00 by the issue of up to 88,000,000 new no-par shares issued to the bearer (Contingent Capital 2022). The contingent capital increase will be carried out solely to the extent that the holders or creditors of option and / or convertible bonds, profit sharing rights and / or income bonds (or combinations of these instruments) that include option and / or conversion rights and / or option and / or conversion obligations or tender rights of the Company and that are issued by the Company, or by companies dependent on the Company or in which the Company, directly or indirectly, holds a majority interest, pursuant to the authorisation resolution of the extraordinary General Meeting of 18 May 2022, by no later than 17 May 2027, exercise their option or conversion rights pursuant to these bonds or fulfil their obligation to exercise the option or for conversion; or, to the extent the Company exercises an option, to grant no-par shares of the Company in lieu of the payment of a cash amount that is due and to the extent that no cash compensation is granted or that own shares or shares of another company listed on the stock exchange are not used to satisfy the claims. The new shares will be issued in each case at the option or conversion price to be determined in accordance with the authorisation resolution stipulated above. The new shares participate in profits as of the beginning of the financial year in which they are issued; to the extent legally permissible, the Management Board, subject to the Supervisory Board's consent, may also determine the participation in profits for a previously expired financial year for new shares in abrogation of this provision and of section 60(2) AktG. The Management Board is authorised, subject to the consent of the Supervisory Board, to determine the details of the conduct of the contingent capital increase.

Treasury stock

Per the closing date 31 December 2022, 1&1 AG held 465,000 shares of its own stock.

The extraordinary General Meeting on 12 January 2018 authorised the Management Board of 1&1 AG to acquire shares of the Company's own stock in an amount totalling no more than 10 percent of the share capital at the time of the adoption of the resolution or – if this value is lower – at the time of the exercise of the authorisation; this authorisation expires on 11 January 2023. Any shares acquired pursuant to this authorisation, together with any other treasury stock in the Company's possession or attributable to the Company pursuant to sections 71a et seqq. AktG, may not exceed at any time a value of 10 percent of the share capital.

The granted authorisation for the acquisition and utilisation of treasury stock was withdrawn by the Annual General Meeting of 18 May 2022 and superseded by the new authorisation below:

The Company is authorised to acquire shares of the Company's own stock in an amount totalling no more than 10 percent of the share capital at the time of the adoption of the resolution or – if this value is lower – at the time of the exercise of the authorisation; this authorisation expires on 17 May 2027. Any shares acquired pursuant to this authorisation, together with any other treasury stock in the Company's possession or attributable to the Company pursuant to sections 71a et seqq. AktG, may not exceed at any time a value of 10 percent of the share capital.

The authorisation may be exercised in one full amount or in partial amounts, once or on multiple occasions, in pursuit of one or multiple objectives, directly by the Company or also by companies dependent on the Company or in which the Company, directly or indirectly, holds a majority interest, or by third parties instructed by the Company or by companies dependent on the Company or in which the Company, directly or indirectly, holds a majority interest.

At the option of the Management Board, the shares may be acquired on the stock exchange or on the basis of a public purchase offer or by means of a public invitation to submit offers to sell.

The Management Board is authorised, subject to the Supervisory Board's consent, to sell any Company shares acquired pursuant to this authorisation on the stock exchange or by offer to all shareholders in the ratio of their holdings. Moreover, Company shares acquired pursuant to this authorisation may be used for any and all other legally permissible purposes, including in particular, but not limited to, the following purposes:

- The shares may be sold to third parties against cash payment at a price that does not fall significantly short of the stock exchange price of shares of an equivalent nature at the point in time of the sale. In this case, the number of shares to be sold may not exceed in total 10 percent of the share capital at the time of the adoption of the resolution by extraordinary General Meeting of 12 January 2018 or – if this amount is lower – 10 percent of the share capital at the time of the sale of the Company's shares. Any shares issued or sold in application, whether direct or mutatis mutandis, of Section 186 (3) fourth sentence AktG during the term of this authorisation must be attributed to this limitation of 10 percent of the share capital. Furthermore, any shares that must be issued to satisfy option and / or convertible bonds must be attributed to this limit of 10 percent of the share capital, provided that the bonds have been issued during the term of this authorisation in application mutatis mutandis of Section 186 (3) fourth sentence AktG and excluding the subscription right.

- The shares may be used for the fulfilment of obligations pursuant to bonds with option and / or conversion right or option and / or conversion obligation issued by the Company, or by companies dependent on the Company or in which the Company, directly or indirectly, holds a majority interest,

- The shares may be issued against assets, including claims against the Company, in particular, but not solely, in relation to the acquisition of companies, holdings in companies or parts of companies, or corporate mergers.

- The shares may be used in relation to share-based compensation or employee stock option programmes of the Company or of its affiliates and may be offered and transferred to persons who are or were in an employment relationship with the Company or one of its affiliates as well as to directors and officers of the Company's affiliates.

- The shares may be redeemed without requiring any additional General Meeting resolution for the redemption or the execution of the redemption. The Management Board may determine that the share capital will be decreased during the redemption; in this case, the Management Board is authorised to reduce the share capital by the proportionate amount of share capital attributable to the redeemed shares and to adjust the information regarding the number of shares and the share capital in the Company Charter. The Management Board may also determine that the share capital will remain unchanged by the redemption and that instead the share of the other shares in the share capital will be increased by the redemption pursuant to section 8(3) AktG. The Management Board is authorised is this case as well to adjust the information regarding the number of shares in the Company by-laws.

- The Supervisory Board is authorised to assign treasury stock acquired pursuant to this authorisation to the members the Company's Management Board in fulfilment of applicable compensation agreements.

The subscription right of the shareholders is excluded to the extent that treasury stock is utilised in accordance with the authorisations described above. Furthermore, the Management Board, subject to the consent of the Supervisory Board, is authorised, in the event of the sale of acquired treasury stock based on an offer to the shareholders, to grant to the holders or creditors of bonds with option and / or conversion rights or corresponding option and / or conversion obligations issued by the Company, or by companies dependent on the Company or in which the Company, directly or indirectly, holds a majority interest, a subscription right to the shares in the scope to which they would be entitled after exercise of the option or conversion right or fulfilment of the option or conversion obligation; the shareholders' subscription right is precluded in the same scope.

As in the previous year, the repurchase right was not exercised during 2022.

In financial year 2021, 35,000 shares of own stock were issued and sold, increasing the Company's share capital by to €38,500.00 to €193,929,613.90. Per 31 December 2022, 1&1 AG held 465,000 own shares representing €511,500 (0.26 percent) of the share capital.

As of the closing date 31 December 2022, United Internet AG, Montabaur, Germany, held 78.32 percent of the stock in 1&1 AG. Per 31 December 2022, Mr Ralph Dommermuth; Montabaur, Germany, in turn holds indirectly through holding companies 50.10 percent of the share capital of United Internet AG as reduced by his own shares of United Internet AG.

5.2 Corporate governance declaration pursuant to section 315d HGB in conjunction with section 289f HGB

1&1 has published the Corporate Governance Declaration pursuant to section 289f and section 315d HGB, which also contains the Declaration of Conformity pursuant to section 161 AktG, beginning on page 18 of the annual report. The annual report is published on the Company's website at www.1und1.ag/investor-relations-en#e-tabs-id-reports.

5.3 Non-financial declaration pursuant to section 289b HGB and section 315c HGB

The Company's declaration pursuant to section 289b and section 315c HGB is published in compliance with statutory deadlines on the internet site of 1&1 AG at www.1und1.ag/investor-relations-en#e-tabs-id-sustainabilityreport.

5.4 Report on the remuneration of the Management Board and the Supervisory Board pursuant to section 162 AktG

The remuneration system and the disclosure of the remuneration of Management Board and Supervisory Board members for financial year 2022 pursuant to section 162 AktG can be found in the "Remuneration Report 2022", which is published on the 1&1 AG website at www.1und1.ag/corporate-governance-en#verguetungs-bericht.

Information on Management Board and Supervisory Board remuneration can also be found in the notes to the consolidated financial statements under note 42.

6. Dependency report

Pursuant to section 312 AktG, the Management Board declares that the Company received consideration for each and every legal transaction and action listed in the report on relations to associated companies; that in view of the circumstances known to the Company at the time the transactions were carried out or the actions were executed or not executed, the consideration was reasonable; and that the Company was not disadvantaged because the actions were executed or not executed.

Montabaur, 29 March 2023

Ralph Dommermuth	Markus Huhn	Alessandro Nava

The Management Board

Consolidated Annual Accounts

Consolidated Comprehensive Income Statement

from 1 January to 31 December 2022

	Remarks	2022 January - December k€	2021 January - December k€
Sales	4	3,963,691	3,909,659
Cost of sales	5,11,12	-2,734,500	-2,709,892
Gross profit from revenues		**1,229,191**	**1,199,767**
Distribution costs	6,11,12	-509,597	-476,467
Administration costs	7,11,12	-110,910	-126,074
Other operating income / expenses	8,9	33,494	27,840
Impairment losses from receivables and contract assets	10	-107,284	-78,356
Results from operating activities		**534,894**	**546,710**
Financing expenses	13	-8,278	-12,968
Financial income	14	4,924	1,375
Profit before taxes		**531,540**	**535,117**
Tax expenses	15	-164,212	-165,095
Consolidated profit		**367,328**	**370,022**
Profit per share (in €)			
- undiluted	48	2.08	2.10
- diluted	48	2.08	2.10
Weighted average number of shares outstanding (in millions)			
- undiluted	48	176,30	176,27
- diluted	48	176,30	176,56
Rollover to total consolidated profit			
Consolidated profit		**367,328**	**370,022**
Categories that will not subsequently be reclassified in the profit and loss account (net)			
- Net profits or losses from equity instruments that are measured at fair market value as non-operating resultsin other results	39	293	141
Other results	39	293	141
Total consolidated profit		**367,621**	**370,163**

Consolidated Balance Sheet

Per 31 December 2022

	Remarks	31/12/2022 k€	31/12/2021 k€
Assets			
Short-term assets			
Cash and cash equivalents	16	4,677	4,555
Trade accounts receivable	17	267,820	248,106
Receivables due from associated companies	19	570,763	718,091
Inventories	20	120,385	96,469
Contract assets	18	638,922	610,046
Prepaid expenses	21	213,992	183,410
Other financial assets	22	25,286	24,926
Income tax assets*	31	6,061	1,650
Other non-financial assets	23	7,291	11,542
		1,855,197	**1,898,795**
Long-term assets			
Other financial assets	24	2,268	1,935
Tangible assets	25	262,655	142,978
Intangible assets	26	1,590,541	1,608,742
Goodwill	27	2,932,943	2,932,943
Contract assets	18	216,533	205,665
Prepaid expenses	21	396,948	272,672
		5,401,888	**5,164,935**
Total assets		**7,257,085**	**7,063,730**

*In the previous year, reported under other non-financial assets

	Remarks	31/12/2022 k€	31/12/2021 k€
Liabilities and equity			
Short-term liabilities			
Trade accounts payable	28,36	229,137	262,592
Liabilities due to associated companies	29,36	77,927	85,162
Contract liabilities	30,36	48,298	48,701
Other provisions	32,36	4,413	6,777
Other financial liabilities	33,36	121,451	120,812
Other non-financial liabilities	34,36	39,704	89,940
Income tax liabilities	31,36	28,765	42,017
		549,695	**656,001**
Long-term liabilities			
Contract liabilities	30,36	7,297	7,447
Other provisions	32,36	38,551	43,576
Other financial liabilities	35,36	857,650	918,122
Deferred tax liabilities	15	224,051	219,383
		1,127,549	**1,188,528**
Total liabilities		**1,677,244**	**1,844,529**
Equity			
Share capital	38	193,930	193,930
Capital reserves	39	2,437,940	2,436,106
Cumulative consolidated results		2,948,557	2,590,044
Other equity	39	-586	-879
Total equity		**5,579,841**	**5,219,201**
Total liabilities and equity		**7,257,085**	**7,063,730**

Consolidated Cash Flow Statement

from 1 January to 31 December 2022

	Remarks	2022 January - December k€	2021 January - December k€
Results from operating activities	**46**		
Consolidated profit		367,328	370,022
Allowances for rollover of consolidated profit to incoming and outgoing payments			
Amortisation and depreciation on intangible and tangible assets	11	65,636	65,388
Depreciation on assets capitalised within the framework of corporate acquisitions	11	92,767	99,162
Personnel expenses from employee stock ownership programmes	37	1,834	3,164
Changes in the adjustment items for deferred tax assets	15	4,541	-14,682
Correction profits / losses from the sale of tangible assets		-1,506	15
Other items not affecting payments		418	760
Cash flow from operating activities		**531,018**	**523,829**
Changes in assets and liabilities			
Change in receivables and other assets		-20,188	23,629
Change in contract assets		-39,744	-53,869
Change in inventories		-23,915	-11,103
Change in prepaid expenses		-154,857	-126,336
Change in trade accounts payable		-33,454	-57,275
Change in other provisions		-7,389	-1,391
Change in income tax liabilities		-13,252	16,084
Change in other liabilities		-49,187	87,842
Change in receivables due from / liabilities due to associated companies		-7,908	25,425
Change in contract liabilities		-554	5,122
Changes in assets and liabilities, total		**-350,448**	**-91,872**
Net inflow of funds from operating activities		**180,570**	**431,957**

	Remarks	2022 January - December k€	2021 January - December k€
Cash flow from investments	**46**		
Investments in intangible and tangible assets		-249,391	-37,398
Inflow of funds from disposal of intangible and tangible assets		4,351	200
Investments in other financial assets		-379	-368
Outflow of short-term investment	42	0	-313,000
Repayments from other financial assets	42	148,000	0
Net outflow of funds in investment sector		**-97,419**	**-350,566**
Cash flow from financing sector	**46**		
Dividend payment	49	-8,815	-8,813
Repayment of leasing liabilities and rights of use	33,45	-12,948	-11,592
Disposal of treasury shares	40	0	475
Repayment of liabilities related to the acquisition of 5G spectrum	46	-61,266	-61,266
Net outflow of funds in financing sector		**-83,029**	**-81,196**
Net increase/decline in cash and cash equivalents		122	195
Cash and cash equivalents at beginning of fiscal year		4,555	4,360
Cash and cash equivalents at end of reporting period		**4,677**	**4,555**

Consolidated Change in Equity Statement

in Fiscal Years 2022 und 2021

	Remarks	Share capital		Capital reserve	Cumulative consolida-ted results	Other equity	Total equity
			38,40	39,40		39	
		Denomination	k€	k€	k€	k€	k€
Per 1 January 2021		**176,264,649**	**193,891**	**2,432,054**	**2,228,835**	**-1,020**	**4,853,760**
Consolidated profit					370,022		370,022
Other consolidated results						141	141
Total results					**370,022**	**141**	**370,163**
Dividend payments					-8,813		-8,813
Employee stock ownership programme				3,164			3,164
Disposal of treasury shares		18,000	20	455			475
Issue of treasury shares		17,000	19	433			452
Per 31 December 2021		**176,299,649**	**193,930**	**2,436,106**	**2,590,044**	**-879**	**5,219,201**
Per 1 January 2022		**176,299,649**	**193,930**	**2,436,106**	**2,590,044**	**-879**	**5,219,201**
Consolidated profit					367,328		367,328
Other consolidated results						293	293
Total results					**367,328**	**293**	**367,621**
Dividend payments	49				-8,815		-8,815
Employee stock ownership programme	37			1,834			1,834
Per 31 December 2022		**176,299,649**	**193,930**	**2,437,940**	**2,948,557**	**-586**	**5,579,841**

Consolidated Notes per 31 December 2022

1. General information about the Company and the financial statements

1&1 Group, together with 1&1 Aktiengesellschaft, Montabaur (formerly Maintal), the listed parent company (hereinafter: "1&1 AG" or, along with its subsidiaries, "1&1" or "Group"), is a telecommunications provider that operates solely and exclusively in Germany. Managing 15.8 million contracts, 1&1 is a leading internet specialist and is authorised to use one of the largest fibre optic networks in Germany because of its affiliation with the company 1&1 Versatel GmbH, Düsseldorf, a member of the United Internet AG corporate group. As a virtual mobile network operator, 1&1 has guaranteed access to up to 30 percent of the capacity of Telefónica's mobile network in Germany (so-called Mobile Bitstream Access Mobile Virtual Network Operator = MBA MVNO). In addition, 1&1 utilises capacities in Vodafone's mobile network. The Group's business unit Access offers landline and mobile network-based internet access products. They include, among others, chargeable broadband and mobile access products and the related applications such as home networks, online storage, telephony, video on demand or IPTV. 1&1 is wide currently building Europe's first fully virtualised mobile network based on the innovative OpenRAN technology using the 5G mobile frequency blocks procured during the auction in 2019.

The address and registered office of 1&1 AG, the parent company of the group, is Elgendorfer Strasse 57 in 56410 Montabaur (formerly Maintal), Germany. The Company is registered in the Commercial Register of the Montabaur Local Court under the number HRB 28530.

The consolidated financial statements of 1&1 AG have been prepared in accordance with the International Financial Reporting Standards (IFRS) as they are applicable in the European Union (EU) and with the commercial law provisions that must be observed in supplement pursuant to section 315e (1) Commercial Code [*Handelsgesetzbuch; HGB*].

1&1 AG is included in the consolidated annual financial statements of United Internet AG, Montabaur. The consolidated annual financial statements are published in the German Federal Gazette [*Bundesanzeiger*].

The euro is the currency of the reporting. The figures in the notes are shown as designated in each specific case in euros (€), thousand euros (€k) or million euros (€m). The financial statements are prepared by applying the principle of cost of acquisition. This principle is not applied to certain financial instruments, which are measured at fair value.

The balance sheet date is 31 December 2022.

In its meeting on 16 March 2022, the Supervisory Board approved the consolidated annual financial statements for 2021. The consolidated annual financial statements for 2021 were published in the Federal Gazette on 6 April 2022.

The consolidated annual financial statements for 2022 were prepared by the Management Board on 29 March 2023 and subsequently submitted to the Supervisory Board. The consolidated annual financial statements will be presented to the Supervisory Board for approval on 29 March 2023. Until the consolidated annual financial statements have been approved and released for publication by the Supervisory Board, it is theoretically possible that changes will be made. The Management Board, however, is assuming that the consolidated annual financial statements will be approved in their current form. They will be published on 30 March 2023.

Shareholdings of 1&1 AG in accordance with section 313 (2) HGB

The Group includes per 31 December 2022 the following companies in which 1&1 AG, directly or indirectly, holds a majority interest.

	Capital share
Name and registered office of the Company	**%**
1&1 Telecommunication SE, Montabaur	100
1&1 Telecom Holding GmbH, Montabaur[1]	100
1&1 Telecom Sales GmbH, Montabaur[1]	100
1&1 Telecom Service Montabaur GmbH, Montabaur[1]	100
1&1 Telecom Service Zweibrücken GmbH, Zweibrücken[1]	100
1&1 Logistik GmbH, Montabaur[1]	100
1&1 Telecom GmbH, Montabaur[2]	100
Drillisch Online GmbH, Maintal	100
IQ-optimize Software AG, Maintal	100
1&1 Mobilfunk GmbH, Düsseldorf[3]	100
1&1 Towers GmbH, Düsseldorf[4]	100
Drillisch Logistik GmbH, Münster	100
Blitz 17-665 SE, Maintal	100
Blitz 17-666 SE, Maintal	100
CA BG AlphaPi AG, Vienna / Austria	100

(1) Wholly-owned subsidiary of 1&1 Telecommunication SE
(2) Wholly-owned subsidiary of 1&1 Telecom Holding GmbH
(3) Wholly-owned subsidiary of Drillisch Online GmbH
(4) Wholly-owned subsidiary of 1&1 Mobilfunk GmbH

The scope of consolidation has been modified as follows in comparison with 31 December 2021:

1&1 Towers GmbH, Düsseldorf, was acquired with effect from 1 June 2022. This did not have any significant effects on the Group's earnings or financial position or on its assets and liabilities.

In addition, 1&1 holds equity interests that are disclosed under the other long-term financial assets:

	Capital share
Name and registered office of the Company	**%**
High-Tech Gründerfonds III GmbH & Co. KG, Bonn (unchanged from previous year)	1

2. Accounting and valuation methods

This section begins with a description of all of the accounting principles that have been applied uniformly to the periods covered in these financial statements. Following these remarks, the accounting standards applied for the first time in these financial statements as well as the recently issued accounting standards that have not yet been applied will be explained.

2.1 Explanatory comments on major accounting and valuation methods

Consolidation principles

The consolidated financial statements include 1&1 AG and all of the subsidiaries it controls (majority holdings). In accordance with IFRS 10, an investor has control of a company when it has the authority to make decisions, is vulnerable to variable returns or is entitled to rights related to the returns and is in a position to influence the variable returns as a consequence of its authority to make decisions. The financial statements of the subsidiaries are prepared per the same balance sheet date and in application of uniform accounting and valuation methods as the financial statements of the parent company. As necessary, restatements are made in the separate financial statements of subsidiaries to ensure conformity of their accounting methods with those of the Group.

All assets and liabilities, equity, income and expenditures within the Group as well as payment flows from business transactions between Group companies are completely eliminated during consolidation.

The consolidation of a subsidiary begins on the day the Group gains control over the subsidiary. It ends when the Group loses its control over the subsidiary. Assets, liabilities, income and expenditures of a subsidiary acquired or sold during the reporting period are recognised in the consolidated financial statements from the day on which the Group obtains control over the subsidiary until the day on which this control ends.

With the loss of the controlling influence, any gain or loss from the departure of the subsidiary is recognised in the consolidated comprehensive income statement in the amount of the difference between (i) the income from the sale of the subsidiary, the fair value of any retained shares, the carrying value of the non-controlling shares and the cumulative amounts of the other consolidated results attributable to the subsidiary and (ii) the carrying value of the departing net assets of the subsidiary.

Any change in the amount of participation in a subsidiary without loss of control is disclosed in the balance sheet as an equity transaction.

Revenue from contracts with customers

Revenue from contracts with customers is disclosed in the balance sheet on the basis of the following five steps:

- Identification of the contract or contracts with a customer
- Identification of the independent performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations
- Revenue realisation upon satisfaction of the performance obligations

Sales revenues comprise essentially revenues from the provision of access to a telecommunications network and the billing of these services on the basis of the existing customer relationships (sales revenues from access services) and sales revenues from the sale of hardware.

The Group realises revenues primarily from the provision of the access products and from services such as internet and mobile telephony. The transaction price comprises fixed monthly basic fees and variable additional utilisation charges for certain services (e.g. for foreign and mobile connections that are not covered by a flat rate) as well as revenue from the sale of the relevant hardware.

The revenue realisation is based on a breakdown of the transaction price from the customer contract on the basis of the relative single selling prices of individual performance obligations. As a rule, 1&1 Group offers comparable rate plans both with and without hardware. The calculation of the single selling price for the service components is based in these cases on the rate conditions of a service rate plan without hardware. In contrast, the calculation of the single selling prices for the hardware is based on the adjusted market assessment price because relevant hardware without a corresponding mobile services contract is only rarely sold to customers. In doing so, the 1&1 Group primarily draws on hardware prices calculated and regularly provided by a third-party provider and links the prices to the given contract conditions when the contract is concluded.

The share of sales for the hardware allocated on this basis is recognised upon delivery to the customer (income realisation based on point in time). As a rule, it exceeds the charge billed to the customer and results in the recognition of a contract asset. This contract asset declines over the course of the term of the contract because of the customer's payments. The revenue share attributable to the service components is recognised over the minimum term of the customer contract (income realisation based on time period).

Insofar as the one-off fees charged to the customer upon conclusion of the contract (e.g. provision or activation fees) do not represent a fundamental right (favourable option for contract renewal), they are not recognised as separate performance obligations, but are instead allocated to the identified performance obligations as part of the transaction price and realised appropriately to their service performance. If the customer is granted fundamental rights in the form of options for the use of additional goods or services, they represent an additional performance obligation to which a part of the transaction price is allocated in consideration of the expected utilisation. The corresponding revenue is then recognised when these future goods or services are transferred or when the option expires. If one-off fees qualify as favourable renewal options, revenue is realised to this extent over the expected term of the customer contract.

1&1 Group grants to its customers monetary campaign rebates available for a limited time as part of the conclusion of the contract. Such rebates are incorporated into the calculation of the transaction price and distributed to performance obligations by an allocation mechanism, consequently reducing the corresponding revenue.

In accordance with the 1&1 Principle, 1&1 grants to its customers a voluntary revocation right limited to 30 days. If a customer exercises this right according to the 1&1 Principle and revokes his / her contract, he / she has a claim to refund of separate transaction components such as billed one-off fees and basic charges. Any fees for use are precluded from the refund claim. In return, 1&1 has a claim for return of any hardware that has been delivered. To this extent, there is no revenue realisation for customer cancellations that are to be expected. Payments received from customers and that will be refunded are shown as refund liabilities and the return claims for supplied hardware resulting from application of the 1&1 Principle are recognised as non-financial assets.

When calculating the transaction price, 1&1 reviews the materiality of a financing component. The analysis of the current customer contracts has revealed that the financing components are not material. A change in the assumed interest rates or rate plans, however, could in future result in a major financing component. The financing effect is consequently reviewed for its materiality at regular intervals.

1&1 follows the portfolio approach allowed in accordance with IFRS 15.4 for some of its current contracts. Similar customer contracts are grouped together and average values are assumed for certain valuation-relevant parameters, in particular transaction prices, individual sales prices and amortisation periods.

It is reasonable to assume that there is no material impact on the financial statements regardless of whether a portfolio or the individual contracts or performance obligations within that portfolio are assessed.

Revenue from associated companies

Revenues from services and allocations for United Internet AG and group companies belonging to United Internet Group that are not members of the group of consolidated companies of 1&1 Group are realised as soon as the service has been performed.

Foreign currency translation

Items included in the consolidated financial statements of all Group entities are measured using the currency of the primary economic environment in which the entities operate ("functional currency"). The consolidated annual financial statements are presented in euros, which is the reporting currency of the 1&1 Group.

Transactions from the investment of cash in the cash flow statement

Pursuant to a cash management agreement with United Internet AG, 1&1 is entitled to accept liquidity from United Internet AG at short notice or to invest free liquidity with United Internet AG. The financing granted within the scope of this business relationship is disclosed as an account due to or an account due from associated companies and is generally due or available on a daily basis. A borrowing of liquidity to finance current business must be classified as a financing activity and reported as such in the cash flow statement under cash flow from financing activities. An investment of free liquidity at United Internet AG as well as any changes up to a receivables balance of zero, on the other hand, must be shown in the cash flow statement as from investing activities. Interest at market rates is paid on resulting receivables and liabilities.

Tangible assets

Tangible assets are always recognised at their cost of acquisition or manufacture less cumulative scheduled depreciation and cumulative impairment losses.

A tangible asset is derecognised either upon its disposal or when no further commercial benefits are expected from the continued use or sale of the asset. The gain or loss from the disposal of the assets is recognised in operating results in the profit and loss account.

The residual values, useful life and depreciation methods are reviewed and, as appropriate, adjusted at the end of every financial year.

Tangible fixed assets are written off over the presumed useful commercial life using the straight-line method.

The assumed useful life for intangible assets is shown in the following overview:

	Useful Life in Year
Tenant fixtures	up to 10
Rights of use to land and buildings	up to 17
Rights of use to network infrastructure	up to 20
Motor vehicles	5 to 6
Other equipment, fixtures, fittings and equipment	3 to 19
Rights of use to fixtures, fittings and equipment	up to 4
Office furnishings	up to 13
Servers	3 to 5

The applicable residual useful life for the tangible fixed assets acquired during the corporate acquisition is determined above all on the basis of the aforementioned useful life and the part of the useful life that had passed at the time of the acquisition.

The conduct of impairment tests and the recognition of impairment losses and value recoveries correspond to the procedure for intangible assets with a limited useful life (see below).

Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred unless they are related to the production or acquisition of a "qualifying asset". There were no borrowing costs requiring capitalisation during the reporting period and in the previous year.

Corporate mergers and goodwill

Corporate mergers are disclosed in the balance sheet in accordance with the purchase method. This includes the recognition at fair value of all identifiable assets and liabilities of the acquired business.

If the initial disclosure in the balance sheet of a corporate merger has not been concluded at the end of a reporting period, provisional amounts are recognised for the items related to the disclosure. If new information becomes known within the valuation period of no more than one year from the point in time of the acquisition that illuminates the relationships at the point in time of the acquisition, the provisionally recognised amounts are corrected and additional assets or liabilities are recognised.

Goodwill from corporate mergers is initially recognised as the excess of the cost of the corporate merger over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. After the initial recognition, goodwill is measured at the cost of acquisition less cumulative impairment losses. Goodwill is reviewed for impairment losses at least once a year or whenever circumstances or changes in circumstances indicate that the carrying value may have declined.

To determine whether there has been an impairment loss, the goodwill acquired during a corporate merger must be allocated from the day of the takeover to each of the cash-generating units in the corporate group that will benefit from the synergies of the merger. This requirement is independent of whether other assets or liabilities of the corporate group have previously been allocated to these units.

The required impairment loss is calculated by comparing the realisable amount of the cash-generating units to which the goodwill is related with their carrying value. The realisable amount of an asset or of a cash-generating unit is the higher of the fair value of an asset or a cash-generating unit less cost of selling and the utilisation value. The utilisation value is calculated by discounting the expected future cash flow, based on a discount rate before taxes that reflects current market expectations regarding the interest effect and the specific risks of the asset, to its present value. A suitable assessment model is used to determine the fair value less selling costs. It is based on a DCF model, valuation multipliers, stock prices of subsidiaries traded on stock exchanges or other indicators for a fair value that are available. If the carrying value of an asset or a cash-generating unit exceeds the realisable amount, the asset or cash-generating unit is regarded as impaired and written down to the realisable amount. An impairment loss recognised for goodwill may not be recovered in following reporting periods. The Group conducts the annual review of the goodwill for recoverability on the balance sheet date.

Intangible assets

The Group has control over an asset if it is in a position to obtain the future economic benefits flowing from the underlying resource and it can restrict access to these benefits by third parties. Singly acquired intangible assets are measured at cost of acquisition at the time of their initial recognition. The cost of acquisition of intangible assets acquired as part of a corporate merger corresponds to their fair value at the time of the acquisition. In the following periods, intangible assets are presented at cost of acquisition less cumulative amortisation and cumulative impairment losses. Costs for self-produced intangible assets (with the exception of development costs that can be capitalised) are recognised as operating results in the period in which they are incurred.

Development costs of a single project are capitalised as intangible assets only if the Group can prove the following:

- The completion of the intangible asset can be technically realised to the extent that it can be used or sold;
- 1&1 intends to complete the intangible asset and use or sell it;
- 1&1 is able to use or sell the intangible asset;
- The manner in which the intangible asset is expected to generate future economic benefits; among other things, 1&1 can demonstrate the existence of a market for the products of the intangible asset or for the intangible asset itself or, if it is to be used internally, the benefit of the intangible asset;
- Adequate technical, financial and other resources are available to complete development and to use or sell the intangible asset;
- 1&1 is able to assess reliably the expenditures attributable to the intangible asset during its development.

A distinction is made between intangible assets with limited and indeterminate useful lives and intangible assets that cannot yet be used at this time (frequency spectrum). At present, 5G frequencies in the 2 GHz spectrum cannot yet be used.

Intangible assets with a limited useful life are amortised by the straight-line method over the commercial useful life and reviewed for a possible impairment loss whenever there are indications that the intangible asset may have lost value. The procedure for the recoverability test is the same as for the recoverability test for goodwill. The useful life and the amortisation method in the case of intangible assets with a limited useful life are reviewed (as a minimum) at the end of each and every financial year. Any required changes in the amortisation method and the useful life are treated as changes in estimates. Amortisation of intangible assets with a limited useful life is recognised in the profit and loss account under the expense category corresponding to the function of the intangible asset in the company.

The amortisation of capitalised development costs begins upon conclusion of the development phase and from the point in time at which use of the asset can begin. It is recognised over the period of expected future benefits and is included in the expense category consistent with the function of the intangible asset in the company. A recoverability test is performed annually during the development phase.

Intangible assets with an indeterminate useful life and intangible assets that cannot yet be used at this time are not amortised according to a schedule, but are reviewed for recoverability at least once a year on the balance sheet date at the level of the specific asset or at the level of the cash-generating unit. The procedure is the same as for the recoverability test for goodwill. The useful life of an intangible asset with an indeterminate useful life is reviewed once annually to determine whether the estimation of an indeterminate useful life is still justified. If this is not the case, the estimation of an indeterminate useful life is changed to a limited useful life on a future basis. The amortisation of the 5G frequencies in the 3.6 GHz spectrum began at the time of actual network operation on 28 December 2022. Amortisation of the intangible assets that are currently not yet usable (2 GHz spectrum) will begin at the start of the term of the allocated frequencies in 2026.

The assumed useful life for intangible assets is shown in the following overview:

	Useful Life in Years
Trademark rights	indeterminate
Clientele	4 to 25
Spectrum	until 18
Other licences and other rights	2 to 15
Rights similar to concessions	5
Software	2 to 5
Own produced intangible assets	3
Rights of use to intangible assets	6

In addition, there is a review on every balance sheet date to determine whether there are any indications that a previously recognised impairment loss no longer exists or has diminished. If there are any such indications, the Group estimates the realisable amount. A previously recognised impairment loss is reversed solely if there has been a change in the estimates used in the calculation of the realisable amount since the recognition of the last impairment loss. If this is the case, the carrying value of the asset is written up to its realisable amount. This amount, however, may not exceed the carrying value that would result after consideration of the write-offs if no impairment losses for the assets had been recognised in previous years.

Inventories

Inventories are measured at the lower of cost of acquisition or manufacture and net selling value. The net selling value is the estimated income from the sale less the estimated selling costs. Adequate valuation allowances for surplus stocks are taken in consideration of inventory risks.

The measurement is based, among other factors, on marketability discounts dependent on time. Both the amount and the distribution of the discounts over time represent the best possible estimate of the net selling value and are consequently subject to estimate uncertainties. If there are indications of a decline in the net selling income, the inventory stocks are corrected by appropriate impairment losses.

Contract assets

A contract asset is the Group's legal claim to consideration for the goods and services transferred by the Group to the customer insofar as this claim is not linked solely to the passage of time. Every unconditional claim to receipt of consideration is recognised separately as a receivable. Contract assets are regularly reviewed to determine whether the value of a contract asset has declined. The procedure is analogous to that used for financial assets.

Costs of obtaining and fulfilling contracts

Additional costs incurred when obtaining a contract with a customer (e.g. sales commissions) are capitalised if and when the Group can assume that it will recover these costs.

Moreover, the Group capitalises the costs incurred during the fulfilment of a contract with a customer (e.g. provision fees and expected termination charges) insofar as these costs:

- Do not fall under the application of a standard other than IFRS 15 (e.g. IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets);
- Relate to an existing or expected contract;
- Lead to the procurement of resources or to improvement in the Company's resources that will be used in future for the (continued) satisfaction of performance obligations; and
- Compensation of the costs is expected.

Capitalised costs to obtain and fulfil contracts are amortised by scheduled write-offs over the estimated term of the contract. They are recognised in the balance sheet under prepaid expenses. The amortisation of the costs to obtain contracts is disclosed in distribution costs and the amortisation of costs to fulfil contracts is disclosed in the cost of sales.

The recognised amortisation periods for costs to obtain contracts are set at 2.5 to 4 years and the periods for costs to fulfil contracts at 2 to 3 years.

An impairment loss is taken if the carrying value of the capitalised costs exceeds the remaining part of the expected consideration from the customer for the delivery of goods or the performance of the services less the related costs incurred.

Classification as short-term and long-term

The Group classifies its assets and liabilities in the balance sheet in short- and long-term assets and liabilities. An asset is to be classified as short-term if:

- The realisation of the asset is expected within the normal business cycle or
- The asset is held for sale or consumption within this period;
- The asset is held primarily for trading;
- The realisation of the asset is expected within twelve months after the closing date; or
- The asset comprises cash or cash equivalents, unless the exchange or use of the asset for the satisfaction of an obligation is restricted for a period of at least twelve months after the closing date.

All other assets are classified as long-term.

A liability is to be classified as short-term if:

- The payment of the liability is expected within the normal business cycle or
- the liability is held primarily for trading;
- The payment of the liability is expected within twelve months after the closing date; or
- The Company does not have an unrestricted right to postpone the payment of the liability by at least twelve months after the closing date.

All other liabilities are classified as long-term.

Deferred tax liabilities are classified as long-term liabilities.

Measurement of the fair value

Some assets and liabilities are measured at fair value at the time of the initial recognition or during the subsequent measurement.

Fair value is the price that would be paid during an orderly business transaction between market participants on the measurement date for the sale of an asset or the transfer of a debt. It is assumed for the measurement of fair value that the business transaction during which the asset is sold or the liability is transferred is conducted either on the

- Principal market for the asset or liability or
- On the most advantageous market for the asset or liability if there is no principal market.

The corporation must have access to the active market or to the most advantageous market.

The fair value of an asset or a liability is measured on the basis of the assumptions that the market participants would use as the basis for pricing the asset or liability. It is assumed at this time that the market participants are acting in their best economic interests.

When measuring the fair value of a non-financial asset, the ability of the market participant to generate an economic benefit from the highest and best use of the asset or from its sale to another market participant who finds the highest and best use for the asset is taken into account.

The Group applies measurement techniques appropriate to the specific circumstances and for which adequate data for measurement of the fair value are available. The use of decisive, observable input factors must be kept as high as possible and the use of unobservable input factors must be kept as low as possible during this process.

All assets and liabilities for which the fair value is determined or disclosed in the financial statements are classified according to the fair value hierarchy shown below, based on the input parameters for the lowest level that is authoritative overall for the measurement of the fair value:

- Level 1 – Prices (non-adjusted) quoted on active markets for identical assets or liabilities
- Level 2 – Measurement procedures during which the input parameters of the lowest level that is authoritative overall for the measurement of the fair value can be observed on the market directly or indirectly
- Level 3 – Measurement procedures during which the input parameters of the lowest level that is authoritative overall for the measurement of the fair value cannot be observed on the market

In the case of assets and liabilities that are recognised on a recurring basis in the financial statements, the Group determines whether there have been any reclassifications between the levels of the hierarchy by reviewing the classification (based on the input parameters of the lowest level that is authoritative overall for the measurement at fair value) at the end of each reporting period.

The Group has defined groups of assets and liabilities based on their type, their features and their risks as well as on the levels of the fair value hierarchy described above so that the disclosure requirements concerning the fair value can be met.

Leases

1&1 is exclusively a lessee. Most of the leases in the Group are related to the leasing of buildings, vehicles and antenna sites.

Leases are recognised in accordance with the requirements of IFRS 16 Leases. The Group assesses at the inception of an agreement whether an agreement constitutes or contains a lease. This is the case when the agreement establishes the right to control the use of an identified asset for a specified period of time in return for consideration.

The Group recognises and measures all leases (with the exception of short-term leases and leases involving an underlying asset of minor value) according to one single model. The Group recognises liabilities for lease payments and rights of use for the right to use the underlying asset.

Rights of use

The Group recognises rights of use per date of provision (i.e. the date on which the underlying leased asset is available for use). Rights of use are measured at cost of acquisition less any cumulative depreciation and any cumulative impairment losses and are adjusted for any revaluation of the lease liabilities. The costs of rights of use include the recognised lease obligations, the initial direct costs incurred and the lease payments made at or before the provision of the leased asset less any lease incentives received. The Group determines the term of the lease on the basis of the non-cancellable basic term of the lease and including the periods resulting from an option to extend the lease insofar as it is reasonably certain that the lessee will exercise this option or the periods resulting from an option to terminate the lease when it is reasonably certain that the lessee will not exercise this option. Rights of use are amortised on a straight-line basis over the shorter of the lease term and the expected useful life of the leases as follows:

- Land and buildings up to 17 years
- Network infrastructure including antenna sites up to 20 years

- Fixtures, fittings and equipment up to 4 years
- Intangible assets 6 years

If ownership of the leased asset is transferred to the Group at the end of the lease term or if the costs include the exercise of a purchase option, write-offs are determined on the basis of the expected useful life of the leased asset.

Lease liabilities

On the date of provision, the Group recognises lease liabilities at the present value of the lease payments to be made over the term of the lease. Lease payments comprise fixed payments (including de facto fixed payments) less any lease incentives to be received, variable lease payments linked to an index or (interest) rate and amounts that will presumably have to be paid as part of residual value guarantees. The lease payments also include the exercise price of a purchase option if it is reasonably certain that the Group will actually exercise it and penalties for termination of the lease if the lease term takes into account that the Group will exercise the termination option. Periods resulting from an option to extend the lease, insofar as it is reasonably certain that this option will be exercised, or periods resulting from an option to terminate the lease, insofar as it is reasonably certain that this option will not be exercised, are included in the lease term. Variable lease payments not linked to an index or (interest) rate are recognised as expenditures in the period in which the event or condition giving rise to the payment occurs.

In calculating the present value of the lease payments, the Group uses its borrowing rate of interest per the provision date of the lease because the interest rate on which the lease is based cannot be readily determined. After the provision date, the amount of the lease liabilities is increased to reflect the higher interest expense and decreased to reflect lease payments that have been made. In addition, the carrying amount of the lease liability is remeasured in the event of changes in the lease, changes in the term of the lease, changes in the lease payments (e.g. changes in future lease payments as a result of a change in the indices or interest rates used to determine these payments) or a change in the assessment of a purchase option for the underlying asset.

The incremental borrowing rate of interest is derived from reference interest rates for a period of up to 20 years from risk-free interest rates appropriate to the term, increased by loan risk surcharges.

Short-term leases and leases involving an underlying asset of minor value

IFRS 16 provides two exceptions – leasing of low-value assets (e.g. PCs) and short-term leases (e.g. leases with a term of 12 months or less). The Group exercises the exemption provided in the standard for leases with a term that expires within 12 months from the date of provision and the exemption for leases for which the underlying asset is of low value. Lease payments for short-term leases and for leases involving an asset of minor value are recognised as an expense on a straight-line basis over the term of the lease.

Financial instruments

A financial instrument is a contract which simultaneously leads to the creation of a financial asset for one company and to the creation of a financial liability or equity instrument for another company.

Financial assets – initial recognition and measurement

With the exception of trade accounts receivable that do not include a significant financing component or that have a term of less than one year, the Group measures all financial assets at fair value during the initial recognition and, in the case of a financial asset that is subsequently not measured at fair value through profit and loss, plus the directly attributable transaction costs. Trade accounts receivable that do not include a significant financing component or that have a term of less than one year are measured at transaction price. Reference is made here to the accounting method in the section Revenue realisation – revenue from contracts with customers.

Purchases or sales of financial assets that provide for delivery of the assets within a period determined by regulations or conventions of the pertinent market (market-usual purchases) are recognised on the day of trade, i.e. on the day the Group has assumed the obligation to sell or purchase the asset.

Financial assets – subsequent measurement

The classification of financial assets during initial recognition for the purposes of the subsequent measurement is dependent on the properties of the contractual cash flow of the financial assets and on the Group's business model for management of the financial assets. Financial assets are classified in three categories for the subsequent measurement:

- Financial assets (debt instruments) measured at amortised cost (ac);
- Financial assets (equity instruments) measured at fair value through other comprehensive income without recycling to profit and loss (fvoci);
- Financial assets measured at fair value through profit or loss (fvtpl).

Financial assets (debt instruments) measured at amortised cost
The Group measures financial assets at amortised cost provided that the two conditions shown below are met:

- The financial asset is held within the framework of a business model that has the objective of holding financial assets for the collection of contractual cash flows; and

- The terms and conditions of the contract of the financial asset result in cash flows at the defined point in time that represent solely repayment and interest payments on the outstanding capital amount.

Financial assets measured at amortised cost are measured by applying the effective interest method in subsequent periods and are reviewed for impairment losses. Gains and losses are recognised through profit and loss when the asset is derecognised, modified, or impaired.

Financial assets (equity instruments) measured at fair value through other comprehensive income without recycling to profit and loss
At initial recognition, the Group may irrevocably elect to designate its equity instruments as equity instruments measured at fair value through other comprehensive income in Other earnings if they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Each instrument is classified separately.

Gains and losses from these financial assets are never reclassified in the profit and loss account. Dividends are recognised in the profit and loss account as Other income if there is a legal claim to payment unless a part of the costs of acquisition of the financial assets is recovered through the dividends. In this case, gains are recognised in Other results. Equity instruments measured at fair value through other comprehensive income are not reviewed for impairment.

Financial assets measured at fair value through profit and loss
The group of financial assets measured at fair value through profit and loss includes the financial assets held for trading, financial assets that were classified during initial recognition as measured at fair value through profit and loss or financial assets for which measurement at fair value is mandatory. Classification as financial assets for trading is mandatory if such assets are acquired for sale or for surrender in the near future. Derivatives, including embedded derivatives recognised separately, are also classified as held for trading. Financial assets with cash flows that do not serve exclusively repayment and interest payments are classified at fair value through profit and loss and measured accordingly, regardless of the business model. In addition, debt instruments can be measured at fair value through profit and loss during initial recognition if this eliminates or significantly reduces an accounting anomaly.

A derivative with a financial or non-financial liability as the underlying contract embedded in a hybrid contract is separated from the basic contract and disclosed separately in the balance sheet if the economic characteristics and risks of the embedded derivative are not closely tied to the basic contract, an independent instrument subject to the same terms and conditions as the embedded derivative would meet the definition of a derivative and the hybrid contract is not measured at fair value through profit and loss.

Financial assets measured at fair value through profit and loss are recognised at fair value in the balance sheet, whereby the changes in fair value are recognised as a balance in the profit and loss account. Dividends from listed equity instruments are also recognised as Other income in the profit and loss account if there is a legal claim to payment.

Derecognition of financial assets

A financial asset (or a part of a financial asset or a part of a group of similar financial assets) is derecognised whenever the contractual rights to the procurement of cash flows from the financial asset have expired. The gains and losses recognised for financial assets measured at fair value in other comprehensive income are reclassified to cumulative profit or loss. A pro rata transfer posting is made for pro rata disposal.

Impairment of financial assets

The Group applies a simplified (one-step) method for the calculation of the expected credit losses from trade accounts receivable and contract assets, whereby a risk provision in the amount of the credit losses expected over the remaining term is recognised on every closing date.

The determination of the expected future credit losses is based on regular reviews and assessments within the framework of the credit monitoring. Relationships between credit losses and various factors (e.g. payment agreements, overdue periods, dunning level etc.) are regularly determined on the basis of historical data. Based on these relationships and supplemented by current observations and future-related assumptions relating to the portfolio of receivables and contract assets on the closing date, future credit losses are estimated.

The Group recognises a valuation allowance for expected credit losses for all debt instruments that are not measured at market value through profit and loss. Expected credit losses are based on the difference between the contractual cash flows that are to be paid in accordance with the contract and the total of the cash flows the Group expects to receive, discounted by an approximate value of the original effective interest rate. The expected cash flows include the cash flows from the sale of the held securities or other collateralisations that are an essential component of the terms and conditions of the contracts. Expected credit losses are recognised in two steps. A risk provision in the amount of the expected credit losses resulting from a default event within the next twelve months is recognised for financial instruments whose risk of default has not significantly increased since the initial measurement. A risk provision in the amount of the credit losses expected over the remaining term is recognised for financial instruments whose risk of default has increased significantly since the initial measurement, regardless of when the default event occurs.

The Group's operating business is essentially found in mass customer business. Risks of default are consequently taken into consideration by means of valuation allowances and lump-sum valuation allowances. The valuation allowances for overdue receivables are determined essentially in dependency on the age structure of the receivables with differing measurement discounts that are basically derived from the success quota of the collection agencies engaged to collect overdue receivables and from analyses of return debit notes. The age structure of the receivables is presented in item 17 of the notes. Receivables that are overdue by more than 365 days are restated at a valuation allowance of 97.5 percent to 100 percent. Trade accounts receivable that have been fully value-adjusted are derecognised 180 days after handover to a collection agency unless there has been a positive report from the collection agency or unexpected receipt of payment from the customer for a value-adjusted receivable or if knowledge of the customer's insolvency is obtained before or after handover to the collection agency.

Additional details on the impairment of trade accounts receivable and contract assets are provided in the following information in the notes:

- Significant discretionary decisions and estimates (item 3 of the notes)
- Trade accounts receivable (item 17 of the notes)
- Contract assets (item 18 of the notes)
- Objectives and methods of financial risk management (item 43 of the notes)

Financial liabilities – initial recognition and measurement

Financial liabilities are classified at initial recognition as financial liabilities measured at fair value through profit and loss or as financial liabilities that are to be measured at amortised cost.

All financial liabilities are measured at fair value at initial recognition; in the event of financial liabilities measured at amortised cost, they are measured less the directly attributable transaction costs.

Financial liabilities – subsequent measurement

The subsequent measurement of financial liabilities is dependent on their classification:

Financial liabilities measured at fair value through profit and loss
This category encompasses the derivative financial instruments concluded by the Group. Embedded derivatives recognised separately are also classified as held for trading. Gains or losses from financial liabilities held for trading are recognised through profit and loss.

Financial liabilities measured at amortised cost
After initial recognition, financial liabilities classified as measured at amortised cost are measured by application of the effective interest rate method. The costs of acquisition carried forward are calculated in consideration of premiums and discounts and of fees or costs that represent an integral component of the effective interest rate. The amortisation from the effective interest rate method is included in the profit and loss statement as part of the financing expenses.

Financial liabilities – derecognition

A financial liability is derecognised when the obligation on which it is based has been satisfied or revoked or has expired. If a current financial liability is replaced by another financial liability from the same lender at substantially different contractual terms and conditions or if the terms and conditions of a current liability are fundamentally modified, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying values of the liabilities is recognised through profit and loss. If the replacement or modification is not recognised as a repayment, any costs or fees that may be incurred lead to a restatement in the carrying value of the liability and are amortised over the remaining term of the modified liability.

Balancing of financial instruments

Financial assets and liabilities are balanced and the net amount is disclosed in the consolidated balance sheet if at the present point in time there is a legal right to offset the recognised amounts against one another and there is the intention to balance them on a net basis or to discharge the relevant liability simultaneously with the realisation of the pertinent asset.

Own stock

Own stock is deducted from equity. Purchase, sale, issue or redemption of own stock is not recognised through profit and loss.

The Group uses the following order of use:

- The recognition of redemption is always carried out in the nominal amount as a debit of share capital.
- Any amount in excess of the nominal amount is initially derecognised in the amount of the value contribution from employee stock option programme (SAR and debenture bonds) against capital reserves.
- Any amount in excess of the value contribution from employee stock option programmes is derecognised against the cumulative consolidated results.

Cash and cash equivalents

Cash and cash equivalents comprise cash in banks, other money investments, cheques and cash on hand that all have a high degree of liquidity and a remaining term of less than 3 months, calculated from the point in time of acquisition. Cash and cash equivalents are measured at cost.

Pensions and similar benefits after termination of the employment relationship

Payments for contribution-oriented pension schemes are recognised as expenses together with payroll payments to the employee.

Contract liabilities

A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. If a customer pays consideration before the Group has provided goods or services to the customer, a contract liability is recognised at the point in time of the payment or, at the latest, at the point in time at which the payment becomes due. Contract liabilities are recognised as revenue as soon as the Group has satisfied the contract performance obligations.

Provisions

Provisions are recognised when the Group has a present legal or factual obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. No provisions are created for future operating losses.

Provisions are measured at present value based on management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market expectations about the fair value of the money and the specific risks associated with the liability. The increase in the provision due to the passage of time is recognised as interest expense.

To the extent that the Group expects at least a partial reimbursement for a provision recognised in the liabilities of the balance sheet (e.g. from an insurance policy), the reimbursement is recognised as a separate asset, provided that the the inflow of the reimbursement is as good as certain. The expense from the creation of a provision less the reimbursement is disclosed in the profit and loss account.

Share-based payment

The Group's employees and Management Board members receive in part share-based payment in the form of equity instruments of appreciation rights that may, at the Group's option, be settled in cash or by the issue of equity instruments as remuneration for the work they have done. As there is at present no cash settlement obligation for 1&1 with regard to the SAR Drillisch, all stock-based payment transactions are disclosed in the balance sheet as equity-settled agreements.

The United Internet SAR, on the other hand, is disclosed as a cash-settled payment transaction as it is not settled in treasury shares.

As these are agreements with employees and board members in each case, the value of the work performed cannot be determined directly. Instead, in accordance with IFRS 2.10, the consideration for the work performance is determined indirectly via the consideration for the equity instruments granted.

The costs incurred from agreements on settlement through equity instruments are measured at the fair value of these equity instruments at the time they are granted. For cash-settled stock-based payment arrangements, the fair value of the liability is remeasured at each balance sheet date and at the date of settlement. The fair value is calculated by using a suitable option price model (Black-Scholes method). A new estimate of the exercise volume to be expected is made on every measurement date with the consequence of an appropriate restatement of the allocated contribution in consideration of the contribution of the past. Required restatements must be made in each of the periods in which new information about the exercise volume becomes known. Expenses resulting from equity-settled and cash-settled agreements are recognised over the period during which the work service is rendered (so-called vesting period). This period ends on the day on which the vesting conditions (service and performance conditions) are fulfilled for the first time, i.e. the date on which the employee in question becomes irrevocably entitled to draw. Equity-settled agreements are recognised in equity. A provision is created for cash-settled agreements. The cumulative expenses disclosed on every balance sheet closing date until the first opportunity to exercise the instruments reflect the previously expired part of the vesting period and the number of equity instruments that will actually become exercisable upon the expiration of the vesting period in the best possible estimate of the Group. A fluctuation probability of 0 percent is assumed in each case. The income or expense in personnel recognised in the period result corresponds to the development of the expenses recognised cumulatively at the beginning and end of the reporting period. No expense is recognised for claims that do not vest due to unfulfilled service or non-market performance conditions.

Major parameters include in particular the stock price on the valuation closing date, the exercise price, the presumable term of the option, volatility, exercise behaviour and dividend rights.

When new equity instruments are granted pursuant to the cancellation of previously granted equity instruments, IFRS 2.28(c) requires an assessment of whether the newly granted equity instruments are a replacement of the previous or cancelled instruments.

For cancelled equity instruments, the full outstanding expense must be recognised immediately at the time of cancellation (see IFRS 2.28(a)).

If they are identified as a replacement, the new equity instruments are accounted for in the same way as a modification of the originally granted instruments. New equity instruments that were not granted as a replacement for cancelled equity instruments are recognised as newly granted equity instruments in accordance with IFRS 2.28. The received benefits are recognised as a minimum at the fair value determined on the grant date (of the original instruments). If the changes are beneficial to the employee, the additional fair value of the new equity instruments is determined and allocated as an additional expense over the vesting period. The additional fair value is determined from the difference between the fair value of the equity instruments identified as replacements and the net fair value of the cancelled equity instruments on the date the replacement instruments were granted.

Profit per share

The “undiluted” profit per share (basic earnings per share) is calculated by dividing the results attributable to the holders of registered shares by the average number of shares, weighted for the time period.

The “diluted” profit per share is calculated in a similar way to the profit per share with the exception that the average number of issued shares is increased by the number that would have resulted if the exercisable subscription rights from the issued employee share option programme had been exercised.

Financial income

Interest income is recognised when the interest accrues (using the effective interest rate, i.e. the calculation interest rate at which the estimated future payment inflows over the expected term of the financial instrument are discounted to the net carrying value of the financial asset).

Actual and deferred taxes

The tax expenses of a period comprise actual taxes and deferred taxes. Taxes are recognised in the profit and loss account unless they are related to transactions that are recognised in other results or directly in equity. In these cases, the taxes are recognised accordingly in other results or directly in equity.

Actual taxes are measured in the amount of an expected reimbursement from the tax authorities or an expected payment to the tax authorities. The calculation of the amount is based on the tax rates and tax laws applicable on the balance sheet date.

Deferred taxes are created, applying the liabilities method, on any temporary differences between the valuation of an asset or a debt in the balance sheet and the tax valuation existing on the balance sheet date.

Deferred tax liabilities are recognised for any and all taxable temporary differences with the following exceptions:

- Deferred tax liabilities from the initial recognition of goodwill or an asset or a liability related to a business incident that is not a corporate merger and that does not have any effect on the period result in accordance with IFRS or on the taxable profit at the point in time of the business incident; and

- Deferred tax liabilities from taxable temporary differences related to holdings in subsidiaries, associated companies and shares in joint ventures if the temporal course of the reversal of the temporary differences can be steered and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all temporary deductible differences, tax-related accumulated deficits carried forward that have not yet been utilised and tax credit notes that have not yet been utilised to the extent that it is likely that taxable income against which the deductible temporary differences and the tax-related accumulated deficits carried forward and tax credit notes that have not been utilised can be applied will be available, subject to these exceptions:

- Deferred tax assets from deductible temporary differences arising from the initial disclosure of an asset or a liability related to a business incident that is not a corporate merger and that does not have any effect on the period result in accordance with IFRS or on the taxable profit at the point in time of the business incident; and

- Deferred tax assets from taxable temporary differences related to holdings in subsidiaries, associated companies and shares in joint ventures if it is probable that the temporary differences will not reverse in the foreseeable future and there will not be sufficient taxable income against which the temporary differences can be utilised.

The carrying value of the deferred tax assets is reviewed on every balance sheet date and reduced by the amount for which sufficient taxable profit against which the deferred tax assets can be utilised, at least in part, is no longer likely to be available. Deferred tax assets that have not been recognised are reviewed on every balance sheet date and recognised in the amount to which it has become likely that a future taxable profit will make the realisation of the deferred asset possible.

The deferred tax assets and liabilities are measured at a tax rate which is expected to apply to the period in which an asset is realised or a liability is settled. The calculation of the amount is based on the tax rates (and tax laws) applicable on the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset against one another if the Company has an actionable claim to offsetting of the actual tax reimbursement claims against actual tax liabilities and they are related to taxes on income of the same tax subject that have been levied by the same tax authority.

Summary of valuation principles

The Group's valuation principles can be essentially summarised and simplified – insofar as there are no impairments – as shown below:

Balance sheet item	Valuation
Assets	
Cash and cash equivalents	At amortised cost
Trade accounts receivable	At amortised cost
Accounts due from associated companies	At amortised cost
Inventories	Lower of costs of acquisition or manufacture and net selling value
Contract assets	At amortised cost
Deferred expenses	At amortised cost
Other financial assets	At amortised cost or at fair value through other comprehensive income Other financial assets in Other earnings without reclassification of accumulated gains and losses on derecognition
Income tax assets	Expected inflow of funds with respect to fiscal authorities based on tax rates applicable on the closing date or that will apply in near future
Other non-financial assets	At amortised cost
Intangible assets	At amortised cost
Tangible assets	
with determinate useful life	At amortised cost
with indeterminate useful life	Impairment-only approach
not yet usable	Impairment-only approach
Deferred tax assets	Undiscounted measurement at the tax rates applicable during the period in which an asset is realised or a liability is satisfied
Liabilities	
Trade accounts payable	At amortised cost
Liabilities due to associated companies	At amortised cost
Contract liabilities	At amortised cost
Other provisions	Expected discounted amount that will lead to outflow of resources
Other financial liabilities	At amortised cost
Other non-financial liabilities	At amortised cost
Income tax liabilities	Expected payment to fiscal authorities based on tax rates applicable on the closing date or that will apply in near future
Deferred tax liabilities	Undiscounted measurement at the tax rates applicable during the period in which an asset is realised or a liability is satisfied

Basic accounting principles

The consolidated comprehensive income statement is structured according to the cost-of-sales method. Estimates are required for the preparation of the consolidated financial statements. Moreover, the application of the corporation-wide accounting and valuation methods requires assessments by management. Areas in which there is greater freedom for assessments or a higher level of complexity or areas in which assumptions and estimates are of decisive importance for the consolidated financial statements are described in section 3.

2.2 Effects of new or amended IFRS

In financial year 2022, application of the following standards and interpretations as revised or newly published by the IASB was mandatory:

Standard		Mandatory application for financial years beginning as of	adoption by EU Commission
Amendments: IFRS 1, IFRS 9,IFRS 16, IAS 41	Annual improvements to IFRS (2018–2020 cycle)	01/01/2022	Yes
Amendments: IFRS 3	Reference to the framework	01/01/2022	Yes
Amendments: IAS 16	Revenue before the intended use	01/01/2022	Yes
Amendments: IAS 37	Onerous contracts – costs for the fulfilment of a contract	01/01/2022	Yes

The extent to which the changes to IFRS will affect the Group in the future is currently under examination.

2.3 Significant discretionary decisions and estimates

In addition to the aforementioned IFRS for which application is mandatory, IASB has announced additional IFRS and IFRIC; some of them have already completed the EU endorsement procedure, but their application does not become mandatory until a later point in time. 1&1 AG will presumably not begin application of these standards in the consolidated annual financial statements until their application becomes mandatory.

Standard		Mandatory application for financial years beginning as of	adoption by EU Commission
Amendments to: IAS 1	Disclosure of Accounting Policies and Valuation Methods	01/01/2023	Yes
Amendments to: IAS 8	Definition of accounting-related estimates	01/01/2023	Yes
Amendments to: IAS 12	Deferred taxes in connection with Assets and liabilities from a single transaction	01/01/2023	Yes

Standard		Mandatory application for financial years beginning as of	adoption by EU Commission
Amendments to: IFRS 17	Accounting for Insurance Contracts; First-time Adoption of IFRS 17 and IFRS9 – Comparative Information	01/01/2023	Yes
Amendments to: IAS 1	Classification of debt by maturity	01/01/2024	No
Amendments to: IFRS 16	Leasing liabilities within the scope of a sale and leaseback	01/01/2024	No

The extent to which the changes to IFRS will affect the Group in the future is currently under examination.

3. Significant discretionary decisions and estimates

During preparation of the financial statements, management makes discretionary decisions, estimates and assumptions that affect the amounts of the income, expenses, assets and liabilities disclosed on the closing date and the disclosure of contingent liabilities. The uncertainty related to these assumptions and estimates may, however, lead to results that in future require substantial restatements in the carrying value of the relevant assets or liabilities.

Discretionary decisions, estimates and assumptions

In applying the accounting evaluation methods, management has made the following discretionary decisions that have a significant effect on the amounts recognised in the financial statements. The most important assumptions related to the future and other significant sources of estimate uncertainty on the closing date that give rise to substantial risk that a major restatement in the carrying values of assets and liabilities will become necessary within the next financial year are explained below.

Impacts related to the coronavirus pandemic

According to the RKI, the pandemic event of the coronavirus pandemic is gradually changing into an endemic wave-like event. This transition cannot be clearly defined on the basis of a “threshold value” nor does it take place globally everywhere at the same time; it can be assessed solely in retrospect. However, the Group does not expect any significant impact from the coronavirus pandemic in the future.

Effects of climate change

Environmental and social concerns can have an impact on the recoverability of the Group's assets in various ways. These risks include in particular rising energy prices for renewable energies used in the operation of our 1&1 mobile network. The recoverability of the 5G spectrum was reviewed as part of the annual impairment test (note 27).

The Company currently assumes that impacts caused by environmental and social concerns will not have a material impact on the assumed cost structure, the impairment tests and (consequently) the consolidated annual financial statements.

War in Ukraine and overall economic situation

The large-scale attack on the entire territory of Ukraine launched by Russia (with the support of Belarus) on 24 February 2022 marked the beginning of the Ukrainian war in 2022. The EU, the USA, Great Britain and other states reacted to the attack with strong sanctions against Russia, Belarus and the separatist regions in eastern Ukraine. The 1&1 Group does not actively engage in business activities the countries involved in the war. Neither Ukraine nor Russia and Belarus are target countries of the 1&1 companies, and no locations are maintained in the aforementioned countries. In this sense, the war had no direct impact on the business development and the position of the Company or the Group. Nevertheless, overall economic conditions deteriorated significantly in the course of 2022 as a consequence of the war. In particular, the high inflation rate with price increases for electricity and gas in previously unheard-of amounts burdened citizens and businesses alike – nationally and internationally. Thanks above all to our low-energy business model, however, there are no immediate significant effects for 1&1.

Revenue realisation

The single-item sales prices for the hardware are determined on the basis of the so-called adjusted market assessment approach, which requires an assessment of the relevant market prices for the hardware. Changes in these assessments can affect the allocation of the transaction fees to the single performance obligations and consequently also have an impact on the amount and course of the revenue realisation over time.

Moreover, various other assumptions and assessments based on past experience and current knowledge at the point in time of the closing date were made as part of the application of the portfolio approach. Changes in these assumptions and assessment may in their totality also have major effects on the amount and the course of the revenue realisation over time. For additional information, see items 2.1 and 4 of the notes.

Costs to fulfil and obtain contracts

The determination of the estimated useful amortisation terms for the costs of the contract are based on values from experience and is subject to major uncertainties, in particular with respect to unforeseen customer or technology development. A change in the estimated amortisation terms affects the recognition of the expenditure over time. The carrying value of the capitalised costs of obtaining contracts per 31 December 2022 amounts to €157,182k (31/12/2021: €155,715k). The carrying value of the capitalised costs for fulfilling contracts per 31 December 2022 amounts to €70,334k (31/12/2021: €80,026k). For additional information, see item 21 of the notes.

Impairment of non-financial assets

The Group reviews the goodwill and other intangible assets with an indeterminate useful life as well as those assets that are currently not yet available for use at least once a year as well as at any time there are indications of a possible impairment. During such a review, the realisable amount of the corresponding cash-generating unit to which the goodwill or the intangible assets are allocated is calculated either as "utilisation value" or as the fair value less selling costs.

Estimating the value of use or fair value less costs to sell requires management to estimate the expected future cash flows of the asset or cash-generating unit and to choose an appropriate discount rate to determine the present value of these cash flows. See item 27 of the notes for further details, including a sensitivity analysis of the major assumptions.

Among the major assumptions made by management regarding the determination of the realisable amount of cash-generating units are assumptions regarding development of revenue, development of margins and the discount interest rate.

The carrying value of the goodwill per 31 December 2022 amounts to €2,932,943k (31/12/2021: €2,932,943k). The carrying value of intangible assets with indeterminate useful lives is €53,200k (31/12/2021: €53,200k). The carrying value of the frequency licences acquired in financial year 2019 is €1,069,740k (31/12/2021: €1,070,187k). Of this amount, €334,997k (31/12/2021: €1,070,187k) is attributable to assets that are currently not yet usable. For additional information, see item 27 of the notes.

Share-based payment

The expenses incurred from the granting of equity instruments to employees are measured in the Group at the fair value of these equity instrument at the time they are granted. A suitable measurement method for the granting of equity instruments must be determined so that the fair value can be estimated; the selection of the method is dependent on the terms and conditions of the agreements. It is also necessary to determine suitable data for use in this measurement method, including in particular the presumed term of the option, volatility, exercise behaviour, dividend returns and the corresponding assumptions.

During the financial year, expenses from stock-based remuneration (Stock Appreciation Rights and Stock Appreciation Rights Drillisch) in the amount of €1,659k resulted (previous year: €2,746k). For additional information, see item 37 of the notes.

Taxes

There are uncertainties concerning the interpretation of complex tax law provisions as well as the amount and point in time at which taxable events will occur in future. It is possible that deviations between actual events and the assumptions that have been made or future changes in such assumptions will in future require restatements in the amount of tax income and tax expenses that have been recognised. The Group creates provisions for the possible effects of tax audits based on reasonable estimates.

The Group must determine whether to assess each uncertain tax treatment separately or together with one or more other uncertain tax treatments. At this time, it chooses the method that is more suitable for predicting the resolution of the uncertainty. The Group makes significant discretionary judgments in identifying uncertainties regarding the income tax treatment.

The amount of such provisions is based on various factors such as experience from previous tax audits and differences in interpretation of tax regulations by the company required to pay tax and the competent tax authority.

The carrying value of income tax liabilities per 31 December 2022 amounts to €28,765k (31/12/2021: €42,017k) and relates mainly to current taxes for financial year 2022. For additional information, see item 31 of the notes.

Leases – determining the term of leases with renewal and termination options and estimating the incremental borrowing rate of interest

The Group determines the term of the lease on the basis of the non-cancellable basic term of the lease and including the periods resulting from an option to extend the lease if it is reasonably certain that it will exercise this option or the periods resulting from an option to terminate the lease if it is reasonably certain that it will not exercise this option.

The leases for the business premises at the locations in Montabaur and Karlsruhe contain renewal options. Owing to the strategic importance of these leases for the Group, the terms of the leases were determined by assuming a term until 2033 with the exception of two leases for buildings in Karlsruhe occupied in 2020 that have an assumed term until 2035. Renewal options for the leases for office buildings at the other locations are largely not included in the determination of the term as these assets could be replaced by the Group without incurring significant costs.

The leases for antenna sites in connection with the 1&1 mobile network usually have a non-cancellable basic lease term of twenty years. Renewal options are not included in the term because it cannot be assumed with sufficient certainty at the time the lease is concluded that the renewal options will be exercised.

The Group cannot readily determine the interest rate underlying the lease, so it uses its incremental borrowing rate of interest to measure lease liabilities. The Group estimates the incremental borrowing rate of interest using observable input factors (e.g. market interest rates), if available, and must make certain company-specific estimates (e.g. individual credit rating of the subsidiary). For additional information, see items 2.1 and 45 of the notes.

Trade accounts receivable and contract assets

Trade accounts receivable and contract assets are disclosed in the balance sheet less the valuation allowances that have been taken. Valuation allowances are taken on the basis of expected credit losses pursuant to regular reviews and measurements within the scope of credit monitoring. The assumptions made here about the payment behaviour and the creditworthiness of customers are subject to substantial uncertainties. The carrying value of trade receivables per 31 December 2022 is €267,820k (31/12/2021: €248,106k). The carrying amount of the contract assets as at 31 December 2022 amounts to €855,455k (31/12/2021: €815,711k). For further information, please refer to notes 17 and 18.

Inventories

Inventories are measured at the lower of cost of acquisition or manufacture and net selling value. The net selling value is the estimated income from the sale less the expected required costs up to the point in time of the sale. The measurement is based, among other factors, on marketability discounts. The amount of the discounts represents the best possible estimate of the net selling value and is consequently subject to estimate uncertainties.

The carrying values of the inventories per the balance sheet date 31 December 2022 come to €120,385k (31/12/2021: €96,469k). For additional information, see item 20 of the notes.

Tangible and intangible assets

Tangible and intangible assets are measured at cost of acquisition or manufacture at the time of initial recognition. After initial recognition, tangible and intangible assets with a limited useful life are depreciated and amortised by the straight-line method over the presumed economic useful life. The presumed useful life is based on experience and is subject to substantial uncertainties, particularly with respect to unforeseen technological development. Discretionary decisions were made in determining the timing of capitalisation and the start of amortisation for the 5G spectrum.

The carrying value of the tangible assets (including rights of use) and of intangible assets (limited useful life) per 31 December 2022 amounts to €1,853,196k (31/12/2021: €1,751,720k; of which frequency licences €1,069,740k, 31/12/2021: €1,070,187k). For additional information, see items 25 and 26 of the notes.

Provisions

A provision is created if the Group has an obligation (legal or factual) arising from a past event, the outflow of resources with economic benefits for fulfilment of the obligation is probable and a reliable estimate of the amount of the obligation is possible. Estimates of this type are vulnerable to significant uncertainty.

The carrying value of the other provisions per 31 December 2022 amounts to €42,964k (31/12/2021: €50,353k). For additional information, see item 32 of the notes.

4. Sales revenues / Segment reporting

Segment reporting

Pursuant to IFRS 8, the identification of reporting operating segments is based on the so-called management approach. External reports are prepared on the basis of the internal organisation and management structure of the Group and of the internal financial reporting to the chief management body (CODM, chief operating decision-maker). In 1&1 Group, the Management Board of 1&1 AG is responsible for the assessment and management of the segments' business success.

Company management and Group reporting encompass the segments "Access" and "1&1 Mobile Network".

In the segment "Access", revenues are generated from the offered access services to telecommunications networks, one-time provision fees and the sale of devices and accessories. Revenues include monthly service fees, charges for special features and connection and roaming charges. Revenues are realised on the basis of utilisation units actually used and contract fees less any credit notes and restatements pursuant to reduced prices. The revenues from the sale of hardware and accessories and the related expenditures are realised as soon as the products have been delivered and accepted by the customers.

The monitoring of goodwill in the amount of €2,932,943k (31/12/2021: €2,932,943k) is the responsibility of the CODM at the level of the reporting segment "Access".

The EBITDA in the segment "1&1 Mobile Network" in the amount of €-52,396k (previous year: €-37,857k) contains solely and exclusively costs related to the rollout and operation of the Company's own 1&1 mobile network. The first revenues in the "1&1 Mobile Network" segment are expected in 2023.

Management by the 1&1 AG Management Board is based primarily on performance indicators. The 1&1 AG Management Board measures the success of the segment "Access" primarily in terms of service revenues, of the segment cost of materials, the number of subscribers and the adjusted earnings before interest, taxes and depreciation and amortisation (comparable operating EBITDA) determined on the basis of IFRS accounting methods (IFRS as they are to be applied in the EU). Transactions between the segments are charged at market prices.

The Group's segment reporting for financial year 2022 is presented below:

	Access €k	1&1 Mobile Network €k	Total €k
Service revenues	3,175,383	0	3,175,383
Hardware and Other revenues	788,308	0	788,308
Segment revenues	**3,963,691**	**0**	**3,963,691**
Cost of materials for segment	**-2,664,632**	**-36,340**	**-2,700,972**
Gross profit for segment	**1,299,059**	**-36,340**	**1,262,719**
Segment EBITDA	**745,693**	**-52,396**	**693,297**
Segment EBITDA operational*	**745,693**	**-52,396**	**693,297**
Customer contracts (in millions)	**15.78**	**-**	**15.78**

The Group's segment reporting for financial year 2021 is presented below:

	Access €k	1&1 Mobile Network €k	Total €k
Service revenues	3,123,379	0	3,123,379
Hardware and Other revenues	786,280	0	786,280
Segment revenues	**3,909,659**	**0**	**3,909,659**
Cost of materials for segment	**-2,679,985**	**0**	**-2,679,985**
Gross profit for segment	**1,229,674**	**0**	**1,229,674**
Segment EBITDA	**749,117**	**-37,857**	**711,260**
Segment EBITDA operational*	**709,717**	**-37,857**	**671,860**
Customer contracts (in millions)	**15.43**	**-**	**15.43**

* Comparable operating EBITDA: EBITDA adjusted for significant extraordinary effects (2021: €-39.4 million), see note 5.

All revenues were realised in Germany. There are no interrelationships requiring elimination between the "Access" and "1&1 Mobile Network" segments.

The rollover of the total of the segment earnings (EBITDA) to the profit before taxes on income is determined as shown below:

	2022 €k	2021 €k
Total segment profits (EBITDA)	693,297	711,260
Write-offs	-158,403	-164,550
Operating results	**534,894**	**546,710**
Financial results	-3,354	-11,593
Earnings before income taxes	**531,540**	**535,117**

The customer structure during the reporting period did not reveal any significant concentration on individual customers. There are no customers in 1&1 Group with whom more than 10 percent of the total external sales revenues is generated.

Additional information on sales revenues

Group sales revenues break down as shown below:

	2022 €m	2021 €m
Service revenues	3,176	3,123
Hardware and Other revenues	788	787
Total	**3,964**	**3,910**

The Group discloses valuation allowances on trade accounts receivables and contract assets from contracts with customers in the reporting period. The figures are disclosed under the impairment losses from receivables and contract assets and amount to €107,284k (previous year: €78,356k).

Contract balances developed as shown below during financial year 2022:

	31/12/2022 €k	31/12/2021 €k
Trade accounts receivable (item 17 of the notes)	267,820	248,106
Contract assets (item 18 of the notes)	855,455	815,711
Contractual liabilities (item 30 of the notes)	55,595	56,148

In financial year 2022, the amount of €14,219k (previous year: €11,538k) that was included in the contract liabilities at the beginning of the financial year was realised as sales revenues.

The total amount of the transaction price of the performance obligations not fulfilled at the end of the reporting period amounts to €1,288,071k per 31 December 2022 (previous year: €1,285,197k). Contract renewals were not taken into account here and, in accordance with IFRS 15.121, contract terms of less than one year are not included. The table below shows the time frames indicating when a realisation of the transaction prices from not yet satisfied or partially unsatisfied performance obligations can be expected:

31. Dezember 2022:

in €k			Total
2023	2024	>2024	
955,745	332,326	0	1,288,071

31. Dezember 2021:

in €k			Total
2022	2023	>2023	
966,552	318,645	0	1,285,197

The transaction prices shown relate to unfulfilled service obligations pursuant to contracts with customers with an original contract term of more than 12 months. They relate to service components with revenue recognition over time and to contracts for which a one-time fee was invoiced and which is now recognised as revenue over the relevant original minimum contract term.

5. Cost of sales

The cost of sales developed as follows:

	2022 €k	2021 €k
Expenditures for purchased services	1,715,650	1,737,606
Expenditures for purchased goods	796,780	780,885
Personnel expenses	81,260	77,533
Write-offs	49,040	54,702
Miscellaneous	91,770	59,166
Total	**2,734,500**	**2,709,892**

Cost of sales in relation to the sales revenues declined in comparison with the previous year to 69.0 percent (previous year: 69.3 percent), leading to an increase in the gross margin to 31.0 percent (previous year: 30.7 percent).

Cost of sales of the previous year included €39.4 million in out-of-period income related to the terms and conditions of the new national roaming agreement applicable retroactively from 1 July 2020, which represented a retroactive correction of wholesale prices for financial year 2020. Since the conclusion of the national roaming agreement in May 2021, 1&1 has been entitled to reduce or increase the wholesale capacities that were ordered within contractually defined bandwidths, which has had a positive effect on the cost of sales.

The cost of sales for 2022 also includes costs from the "1&1 Mobile Network" business segment for the first time. The activities in financial year 2022 now include concrete measures for the construction of the mobile network. For this reason, the expenses in the segment "1&1 Mobile Network" were reported predominantly in cost of sales after the expense for the basic activities in 2021 was reported above all in administrative expenses.

Other costs of sales encompass primarily data centre and logistics costs.

6. Distribution costs

The distribution costs developed as follows:

	2022 €k	2021 €k
Marketing expenses	167,737	148,914
Personnel expenses	103,188	98,482
Write-offs	99,541	101,577
Sales commissions	96,772	102,328
Miscellaneous	42,359	25,166
Total	**509,597**	**476,467**

Other distribution costs comprise essentially customer care and product management.

7. Administration costs

The administration costs break down as follows:

	2022 €k	2021 €k
Personnel expenses	28,916	31,155
Purchased work	27,161	21,734
Expenses for money transactions	13,121	9,910
Legal and consulting fees	9,998	32,655
Write-offs	9,822	8,271
Receivables management	7,927	7,023
Miscellaneous	13,965	15,326
Total	**110,910**	**126,074**

Other administration expenses relate predominantly to maintenance costs and insurance premiums.

8. Other operating expenses

The other operating expenses break down as follows:

	2022 €k	2021 €k
Expenses relating to other periods	933	418
Other taxes	249	-102
Miscellaneous	1,305	1,514
Total	**2,487**	**1,830**

9. Other operating income

Other operating income breaks down as follows:

	2022 €k	2021 €k
Income from dunning charges and return debit notes	20,357	18,398
Damages	8,441	7,674
Income related to other periods	1,175	1,628
Rental income	456	434
Income from foreign currency translation	150	224
Miscellaneous	5,402	1,312
Total	**35,981**	**29,670**

10. Impairment losses from receivables and contract assets

Impairment losses from receivables and contract assets comprise the following:

	2022 €k	2021 €k
Trade accounts receivable	59,000	46,314
Contract assets	48,284	32,042
Total	**107,284**	**78,356**

The primary drivers for the significant increase in value allowances are above all higher payment default rates as well as the raised blocking limits for defaulting customers pursuant to the reformed Telecommunications

Act. In the course of financial year 2022, the fiscal burdens on people have increased noticeably; since March 2022, inflation rates in Germany have been well over 7 percent – the highest level in decades. This has made itself felt in an increase in defaults. In financial year 2021, in contrast, the restrictions imposed by the German government because of the coronavirus pandemic still had positive effects on the payment default rates. The increase in the blocking limits leads to an increase in the amounts subject to a value allowance for payment defaults.

For impairment losses, please refer to notes 2.1 „Impairment of financial assets", 17 „Trade accounts receivables" and 18 „Contract assets".

11. Write-offs

The development of fixed assets, including write-offs, is presented in the consolidated analysis of fixed assets movement (exhibit to consolidated notes).

Write-offs on intangible and tangible assets (including rights of use from IFRS 16 accounting) break down as follows:

	2022 €k	2021 €k
Cost of sales	49,040	54,702
Distribution costs	99,541	101,577
Administration costs	9,822	8,271
Total	**158,403**	**164,550**

The write-offs also include write-offs on assets capitalised within the framework of corporate acquisitions. The write-off figures break down among the capitalised assets as shown below:

	2022 €k	2021 €k
Clientele	92,554	95,742
Trademarks	0	3,100
Licences	0	0
Software	213	320
Total	**92,767**	**99,162**

This figure includes depreciation and amortisation of €63,674k (previous year: €87,613k) attributable to the assets additionally capitalised as of purchase price allocation.

The recoverability test of the intangible assets with an indeterminate useful life was carried out at the level of the cash-generating units per the balance sheet date. In financial year 2021, trademark rights with a carrying value of €3.1 million were devalued as there are currently no plans for the active use of these trademarks.

The write-offs are distributed among the assets capitalised in the various business divisions within the framework of corporate acquisitions as follows:

	2022 €k	2021 €k
Cost of sales	213	3,420
Distribution costs	92,554	95,742
Total	**92,767**	**99,162**

12. Personnel expenses

Personnel expenses are distributed among the business divisions as follows:

	2022 €k	2021 €k
Cost of sales	81,260	77,533
Distribution costs	103,188	98,482
Administration costs	28,916	31,155
Total	**213,364**	**207,170**

Personnel expenses comprise the expenses for wages and salaries in the amount of €181,854k (previous year: €176,388k) and the expenses for social security in the amount of €31,510k (previous year: €30,782k).

As at the balance sheet date 31 December 2022, the number of employees (headcount) was 3,163 (31/12/2021: 3,167). The average number of employees during financial year 2022 was 3,163 (previous year: 3,176).

There are contribution-oriented commitments in the Group regarding company pension plans. In the case of the defined contribution plans, the Company pays contributions to the government pension insurer pursuant to statutory provisions. There are no further performance obligations for the Company when the contributions have been paid. The ongoing contribution payments are disclosed as expenses in the relevant year. In financial year 2022, they total €15,270k (previous year: €14,344k) and include primarily the contributions paid to the government pension insurer in Germany.

13. Financing expenses

The financing expenses break down as follows:

	2022 €k	2021 €k
Interest from deferral of frequency liabilities	6,473	11,000
Interest from leasing liabilities	1,646	1,406
Interest expenses from tax audits	103	503
Guarantee commissions	25	37
Miscellaneous	31	22
Total	**8,278**	**12,968**

The interest expense from the deferral of frequency liabilities results from the agreement with the Federal Ministry of Transport and Digital Network Infrastructure, pursuant to which the payment obligation for mobile frequencies was extended until 2030.

14. Financial income

The financial income breaks down as follows:

	2022 €k	2021 €k
Interest and similar income associated companies	3,639	843
Interest income from tax audits	809	263
Miscellaneous	476	269
Total	**4,924**	**1,375**

Interest income concerns above all interest paid on the investment of free cash at United Internet AG. Reference is made here to the disclosure under point 42 of the notes concerning the interest income from associated companies.

15. Income tax expenses

Tax expenses in the Group break down as follows:

	2022 €k	2021 €k
Current taxes on income	159,671	179,777
Deferred taxes	4,541	-14,682
Disclosed expenses for income taxes	**164,212**	**165,095**

In accordance with German tax laws, taxes on income comprise corporate income tax and trade tax plus the solidarity surcharge.

Regardless of whether the profit is re-invested or disbursed, the corporate income tax rate in Germany is unchanged at 15 percent. In addition, a solidarity surcharge of 5.5 percent is levied on the corporate income tax that has been determined.

The trade tax rate is dependent on the community where the Company operates. The average trade tax rate in financial year 2022 was about 14.42 percent (previous year: 14.19 percent). This led to an increase in the Group tax rate to 30.25 percent (previous year: 30.02 percent).

The current taxes on income include out-of-period tax expenses in the amount of €649k (previous year: €2,562k).

Deferred tax assets from temporary differences are recognised as long as it is probable that a taxable profit against which the deductible temporary differences can be utilised will be available.

Deferred taxes are determined from the following items:

	2022		2021	
	Deferred tax assets €k	Deferred tax liabilities €k	Deferred tax assets €k	Deferred tax liabilities €k
Intangible assets	29,986	-123,003	39,580	-140,165
Tangible assets	0	-33,072	0	-28,799
Inventories	66	-117	68	-139
Contract assets*	0	-231,340	0	-218.481
Other assets	910	-5,789	3,633	-3,466
Prepaid expenses	171,212	-69,132	164,640	-70,875
Other provisions	13,605	-8,506	15,194	-7.739
Contract liabilities	7,139	-8,913	6,505	-9.641
Other liabilities	32,903	0	30,324	-22
Gross value	**255,821**	**-479,872**	**259.944**	**-479.327**
Balance	-255,821	255,821	-259.944	259.944
Consolidated balance sheet	**0**	**-224,051**	**0**	**-219.383**

*The previous year's figure was adjusted by netting out deferred taxes.

The net liability position of deferred taxes as at the balance sheet date 31 December 2022 totalled €224,051k (31/12/2021: € 219,383k).

The total amount of the change in the balance of deferred taxes amounts to €-4,668k (previous year: €-14,622k).

The deferred taxes on intangible assets result essentially from the differing treatment of assets capitalised in the course of corporate acquisitions in the consolidated annual financial statements and in the tax balance sheet.

Deferred tax liabilities on tangible assets result essentially from IFRS 16 accounting. Deferred taxes on other liabilities also result primarily from IFRS 16 Accounting.

The deferred taxes on contract assets, contract liabilities and prepaid expenses result in particular from the IFRS 15 accounting.

Deferred tax assets on other provisions result essentially from the recognition of provisions for termination charges related to IFRS 15 accounting.

The change in the balance of the deferred taxes in comparison with their status per 31 December 2021 can be determined as shown below:

	2022 €k	2021 €k
Deferred tax expense	-4,541	14,682
Changes recognised through other comprehensive income:		
- Directly through other equity	-127	-60
Change in the balance of deferred taxes	**-4,668**	**14,622**

The transition from the overall tax rate to the effective tax rate of the ongoing activities is shown in simplified form below:

	2022	2021
Expected tax rate	30.3%	30.0%
	€k	**€k**
Profit before income taxes from continued operations	531,540	535,117
-Tax expenses from application of the income tax rate	160,791	160,642
- Tax rate changes	1,681	86
- Actual taxes previous years	649	2,562
- Balance of other tax-exempt income and non-deductible expenses as well as trade tax additions and deductions	1,091	1,805
Tax expenses pursuant to comprehensive income statement	**164,212**	**165,095**
Effective tax rate	**30.9%**	**30.9%**

The expected tax rate corresponds to the tax rate of the parent company, 1&1 AG.

16. Cash and cash equivalents

Cash and cash equivalents comprise cash in banks, short-term investments, cheques and cash on hand. Interest is paid on credit balances in banks at variable interest rates for credit balances that can be terminated daily. As in the previous year, the Group did not receive any interest on the euro-denominated credit balance owing to the interest rate level for short-term investments with credit institutions.

Short-term deposits are made for varying time periods between one day and 3 months, depending on the Group’s need for cash.

The development of cash and cash equivalents can be seen in the consolidated cash flow statement.

As in the previous year, there were no restrictions on disposal of bank credit balances in the reporting period.

17. Trade accounts receivable

As at the balance sheet date 31 December 2022, net trade accounts receivable amounted to €267,820k (31/12/2021: €248,106k) and break down as follows:

	31/12/2022 €k	31/12/2021 €k
Trade accounts receivable, gross	337,385	303,656
Less		
Valuation allowances	-69,565	-55,550
Trade accounts receivable, net	**267,820**	**248,106**
of which trade receivables – **short-term**	267,820	248,106
of which trade receivables – **long-term**	0	0

The development of the valuation allowances account is presented below:

	2022 €k	2021 €k
Balance at 1 January	55,550	62,572
Utilisation	-44,985	-53,336
Additions through expenses	63,495	49,367
Reversal	-4,495	-3,053
As at 31 December	**69,565**	**55,550**

The additions of valuation allowances through expenses do not include the receivables that were derecognised during the year and before the balance sheet date.

The maximum default risk on the balance sheet date corresponds to the net carrying value of the above-mentioned trade receivables.

As of the balance sheet date, there are no indications that the payment obligations for the receivables for which no valuation allowances have been created will not be satisfied.

Overdue receivables are reviewed to determine if there is any need for valuation allowances. The determination of the separate valuation allowances is essentially dependent on the age structure of the receivables. Reference is made to item 43 of the notes.

Any and all overdue receivables for which separate valuation allowances have not been created are encompassed in a lump-sum valuation allowance based on expected credit losses.

Per 31 December, the age structure of the trade receivables, after consideration of the aforementioned valuation allowances corresponds to the following:

	31/12/2022 €k	31/12/2021 €k
Trade accounts receivable, net		
0-5 days	234,791	221,480
6-15 days	5,498	5,662
16-30 days	5,774	3,844
31-180 days	18,394	14,047
181-365 days	3,351	3,046
> 365 days	12	27
Total	**267,820**	**248,106**

18. Contract assets

As at the balance sheet date 31 December 2022, net contract assets amount to €855,455k (31/12/2021: €815,711k) and break down as follows:

	31/12/2022 €k	31/12/2021 €k
Contract assets, gross	919,628	875,542
Less		
Valuation allowances	-64,173	-59,831
Contract assets, net	**855,455**	**815,711**
of which contract assets - **short-term**	638,922	610,046
of which contract assets - **long-term**	216,533	205,665

The increase in contract assets results in particular from the increased hardware sales over the course of several years, above all because of the rising demand for higher-quality mobile devices.

The development of the valuation allowances account is presented below:

	2022 €k	2021 €k
As at 1 January	59,831	57,868
Additions recognised through expenditures	48,284	32,042
Utilisation	-43,942	-30,079
As at 31 December	**64,173**	**59,831**

19. Accounts due from associated companies

Accounts due from associated companies at the balance sheet date amount to €570,763k (31/12/2021: €718,091k) and are related to member companies of United Internet Group that are not included in the Group's consolidated accounts. Reference is made here to item 42 of the notes concerning the accounts due from associated companies.

20. Inventories

Inventories comprise the following items:

	31/12/2022 €k	31/12/2021 €k
Merchandise (gross)		
- Mobile services / Mobile internet	109,601	80,551
- Broadband hardware	12,954	12,014
- SIM cards	5,933	4,299
- Miscellaneous	3,404	4,811
	131,892	**101,675**
Less		
Valuation allowances	-11,507	-6,538
Inventories, net	**120,385**	**95,137**
Payments on account	0	1,332
Inventories	**120,385**	**96,469**

The cost of goods sold recognised in financial year 2022 as cost of materials under cost of sales from the sale of inventories amounts to €796,780k (previous year: €780,885k).

21. Prepaid expenses

Prepaid expenses break down as follows:

	Short-term €k	Long-term €k	31/12/2022 Closing balances €k
Costs to obtain contracts	84,364	72,819	157,183
Costs to fulfil contracts	40,642	29,692	70,334
Advance payments wholesalers	44,370	253,441	297,811
Miscellaneous	44,616	40,996	85,612
Total	**213,992**	**396,948**	**610,940**

	Short-term €k	Long-term €k	31/12/2021 Closing balances €k
Costs to obtain contracts	79,440	76,275	155,715
Costs to fulfil contracts	47,149	32,877	80,026
Advance payments wholesalers	26,081	149,998	176,079
Miscellaneous	30,740	13,522	44,262
Total	**183,410**	**272,672**	**456,082**

The increase in prepaid expenses results above all from the prepayment on FTTH and VDSL allotments pursuant to the agreement with 1&1 Versatel for the procurement of wholesale broadband services.

The prepaid expenses are deferred on the basis of the underlying contractual period and recognised through expenditures in the appropriate period.

	2022 €k	2021 €k
Wholesale charges recognised through expenditures	53,408	33,186
Amortisation of capitalised costs to obtain contracts	96,227	102,727
Amortisation of capitalised costs to fulfil contracts	50,080	58,898
	199,715	**194,811**

22. Other short-term financial assets

The other short-term financial assets break down as follows:

	31/12/2022 €k	31/12/2021 €k
Receivables for promotion rebates	18,743	21,166
Creditors with debit balances	6,091	2,522
Miscellaneous	452	1,238
Other financial assets	**25,286**	**24,926**

23. Other short-term non-financial assets

	31/12/2022 €k	31/12/2021* €k
Value-added tax	2,846	7,206
Refund claims from return of hardware	4,445	4,336
Other non-financial assets	**7,291**	**11,542**

*Reference is made here to item 31 of the notes concerning income tax assets.

24. Other long-term financial assets

The composition of the other long-term financial assets can be seen in the following overview:

	31/12/2022 €k	31/12/2021 €k
Participating interests	1,622	1,243
Other loans	646	692
Total	**2,268**	**1,935**

25. Tangible assets

Tangible assets per the balance sheet date break down as follows:

	31/12/2022 €k	31/12/2021 €k
Acquisition costs, gross		
Land and buildings	316	302
Rights of use to land and buildings	118,701	113,700
Rights of use to office furniture and equipment	8,929	6,218
Rights of use to network infrastructure	1,057	0
Fixtures, fittings and equipment	64,356	51,267
Payments on account	120,205	16,666
	313,564	**188,153**
Less		
Accrued amortisation	-50,909	-45,175
Tangible assets, net	**262,655**	**142,978**

An alternative presentation of the development of tangible assets in financial years 2022 and 2021 is shown in the exhibit to the consolidated notes (consolidated analysis of fixed assets movement).

As at the balance sheet date, there are purchase obligations for the fixed assets in the amount of €123,866k (31/12/2021: €23,229k).

The increase in payments on account mainly relates to the construction of the 1&1 mobile network.

For more detailed information concerning rights of use to land and buildings and to fixtures, fittings and equipment, please refer to note 45.

26. Intangible assets (excluding goodwill)

Intangible assets excluding goodwill per 31 December break down as follows:

	31/12/2022 €k	31/12/2021 €k
Acquisition costs, gross		
Spectrum	1,070,187	1,070,187
Clientele	776,975	776,975
Rights similar to concessions	165,000	165,000
Purchased software and licences	141,888	149,538
Trademarks	56,300	56,300
Own produced software	17,126	17,135
Rights of use to licences	9,282	9,282
Payments on account	115,851	6,185
	2,352,609	**2,250,602**
Less		
Accrued amortisation	-762,068	-641,860
Intangible assets, net	**1,590,541**	**1,608,742**

An alternative presentation of the development of intangible assets in financial years 2022 and 2021 is shown in the exhibit to the consolidated notes (consolidated analysis of fixed assets movement).

Rights similar to concessions result from a one-off payment in the course of exercising the first extension option of the MBA MVNO contract to secure direct access to 5G technology and as a necessary building block for the construction of the Company’s own mobile network.

The rights of use for licences result from the frequency transfer agreement concluded with Telefónica in financial year 2020. 1&1 has leased frequencies from Telefónica for the rollout of its own 1&1 mobile network. The agreement covers two frequency blocks of 10 MHz each in the 2.6 GHz bandwidth. The two frequency blocks will be available to 1&1 until 31 December 2025.

For further information on rights to use intangible assets, please refer to note 45.

Cost of acquisition of customers in the amount of €776,975k (31/12/2021: €776,975k) relate to the clientele capitalised within the framework of corporate acquisitions.

The carrying values of the intangible assets with an indeterminate useful life (trademark rights) amount to €53,200k (31/12/2021: €53,200k). The useful life of the trademark rights is classified as indeterminate because there are no indications that the inflow of benefits will end in the future.

The recoverability test of the intangible assets with an indeterminate useful life was carried out at the level of the cash-generating units per the balance sheet date. In the previous year, trademark rights with a carrying value of €3,100k were devalued as there are currently no plans for the continued active use of these trademarks. In the financial year, there were no indications for a further write-down or a write-up of the devalued trademark rights.

The following table gives an overview of the trademark rights attributed to the CGU Access of 1&1:

	31/12/2022 €k	31/12/2021 €k
yourfone	16,600	16,600
smartmobil.de	15,000	15,000
WinSim	9,800	9,800
simply	5,200	5,200
DeutschlandSIM	4,400	4,400
PremiumSIM	2,200	2,200
Total	**53,200**	**53,200**

As at the balance sheet date, there are purchase obligations for intangible assets of €142,956k (31/12/2021: €1k); these are mainly obligations for the construction and operation of the 1&1 mobile network.

The increase in payments on account mainly relates to software for the operation of the 1&1 mobile network.

Spectrum

1&1 participated in the 5G auction frequency auction that ended on 12 June 2019 and acquired two frequency blocks à 5 MHz in the 2 GHz bandwidth and five frequency blocks à 10 MHz in the 3.6 GHz bandwidth; the usability of each block is limited to 31 December 2040. The frequency blocks in the 3.6 GHz bandwidth are available immediately and the frequency blocks in the 2 GHz bandwidth will be available from 1 January 2026.

The intangible assets resulting from the acquisition were recognised at their cost of acquisition. Per 31 December 2022, the carrying values of the frequency blocks break down as follows:

Frequency block	31/12/2022 €k	31/12/2021 €k
3.6 GHz	734,743	735,190
2 GHz	334,997	334,997
Total	**1,069,740**	**1,070,187**

In financial year 2022, write-offs of €447k were taken for the frequency blocks in the 3.6 GHz bandwidth. The amortisation of the acquired frequency blocks in the 2 GHz bandwidth will not begin until the beginning of the allocated term. The impairment test was performed per the balance sheet date at the level of the cash-generating unit "1&1 Mobile Network". The test did not result in any impairment in the financial year.

Own produced intangible assets

Own produced intangible assets include mainly capitalised development costs for software used for the management of our customers and for more specific address of customers.

27. Goodwill and impairment of goodwill and intangible assets with indeterminate useful lives as well as intangible assets currently not yet available for use (spectrum)

The goodwill and intangible assets with an indeterminate useful life are subjected to an impairment test at least once a year. The Company has designated the final quarter of the financial year for conduct of the impairment test required annually parallel to the in-company budgetary process.

The goodwill acquired during corporate mergers was allocated to the cash-generating units for the purpose of the impairment test.

Following the conclusion of extensive integration measures in financial year 2018, the two cash-generating units 1&1 Drillisch and 1&1 Telecom were merged into the one cash-generating unit Access (formerly: 1&1). The integration measures and the related interdependencies in strategic orientation have resulted in the cash-generating unit Access becoming the smallest segment for which management monitors goodwill. The impairment test of the goodwill of Access is carried out at the level of the reporting segment of the same name. Insofar as the impairment tests result in impairment losses, they are disclosed separately in the profit and loss statement and in the consolidated analysis of fixed assets movement.

The goodwill has been attributed completely to the cash-generating unit Access. The frequency licences that currently are not yet usable are attributed to the "1&1 Mobile Network" cash-generating unit. There are no other cash-generating units.

In financial year 2022 and in the previous year, there were no indications of any impairments after completion of the impairment tests.

Scheduled impairment test per 31 December 2022

The realisable amount of the cash-generating unit Access is determined on the basis of the calculation of the utilisation value and application of cash flow forecasts. The hierarchy of the utilisation value within the sense of IFRS 13 is classified as Level 3 for this impairment test.

As in the previous year, the impairment test for goodwill of the cash-generating unit Access in financial year 2022 did not result in any impairment loss.

The table below presents the underlying assumptions that were used for the impairment test of the cash-generating unit Access and the determination of the utilisation value:

	Reporting year	Share of goodwill total	Long-term growth rate	Discount factor before taxes	Turnover growth rate*
Access	2022	100%	0.5%	8.8%	2.0%
	2021	100%	0.05%	6.9%	1.6%

* Detailed planning period until the end of financial year 2028

The cash flow forecasts are based on a Group budget calculation for financial year 2023 and a planning calculation for financial years 2024 to 2028. Management extrapolated these planning calculations for the cash-generating unit on the basis of external market studies and internal assumptions. Since the expectation for the end of the detailed planning period (2028) is that a sustained revenue and result level will not have been reached, the detailed planning period has been extended by an interim phase for the years from 2029 to and including 2040, at which time a sustained revenue and result level should be reached.

The cash flow forecasts are essentially dependent on the estimates of future sales revenues. The values of the sales revenues over the detailed planning period of the cash-generating unit are based on average annual growth rates of 2.0 percent (previous year: 1.6 percent). Another major fundamental assumption for the planning of the cash-generating units is the number of subscribers, the gross profit planning based on this subscriber number, our experience and discounting rates assumed for this purpose. Rising subscriber numbers and a slight decline in gross profits are expected in the coming years.

The utilisation value is determined primarily by the present value of the perpetual annuity, which reacts especially sensitively to changes in the assumptions about long-term growth rates and the discount rate. Management assumes an annual increase in cash flow of 0.5 percent (previous year: 0.05 percent) for the period of the perpetual annuity. This growth rate corresponds to the long-term average growth rate in the industry. The discount rates before taxes used in the financial year for the cash flow forecasts are at 8.8 percent (previous year: 6.9 percent before taxes).

Sensitivity of the applied assumptions

The sensitivity of the applied assumptions concerning an impairment in goodwill is dependent on the fundamental assumptions for the pertinent cash-generating unit.

Within the scope of sensitivity analyses for the cash-generating unit Access, an increase in the discount rate (before taxes) by 2.0 percentage points was assumed to result in a decrease in the long-term growth rate in the perpetual annuity by 1.0 percentage point and, alternatively, a decrease in the EBITDA margin of the perpetual annuity by 2.0 percentage points. No changes in the impairment test would arise from these assumptions.

As in the previous year, the Company management is of the opinion that none of the fundamentally possible changes in one of the basic assumptions used for determination of the utilisation value of a cash-generating unit could, according to reasonable judgement, lead to a carrying value that is significantly higher than the utilisation value.

Intangible assets (spectrum)

The recognised 5G spectrum results from the 5G frequency auction of 2019. 1&1 acquired two frequency blocks à 2 x 5 MHz in the 2 GHz bandwidth and five frequency blocks à 10 MHz in the 3.6 GHz bandwidth; the usability of each block is limited to 31 December 2040. The frequency blocks in the 3.6 GHz bandwidth are available immediately and the frequency blocks in the 2 GHz bandwidth will be available from 1 January 2026. Since 28 December 2022, the 1&1 mobile network has been in operation using the 3.6 GHz frequencies. Since the 2 GHz frequencies are still not usable, an impairment test of the cash-generating unit 1&1 mobile network was carried out in financial year 2022 at the level of the reporting segment of the same name.

The realisable amount of the cash-generating unit "1&1 Mobile Network" is determined on the basis of the calculation of the utilisation value and application of cash flow forecasts. The hierarchy of the utilisation value within the sense of IFRS 13 is classified as Level 3 for this impairment test.

The planning calculation on which the impairment test was based includes profit and loss planning and an investment plan for financial years 2023 to 2040. As the spectrum runs until 2040, the measurement was carried out over the period from 2023 to 2040.

The cash flow forecasts depend to a large extent on the estimate of future sales revenues, assumptions about investments in the network infrastructure and the ongoing operating costs of network operations. The main revenue driver for the cash-generating unit "1&1 Mobile Network" is the growth of the subscriber base in the 1&1 network and the planning of future data consumption by customers. The planning calculations were based on the subscriber development in the Access cash-generating unit; the assumptions about the future data consumption of customers are derived from values based on experience. The plans for investments in the network infrastructure are based on concrete expansion plans that are essentially founded on the expansion obligations from the frequency acquisition and the contractually agreed construction costs. The planning for the ongoing costs of grid operation is based on contracts already concluded and assumptions about the development of energy costs based on experience. Another important basic assumption for the planning of the cash-generating unit is the underlying discount rates.

The discount rates before taxes used in the financial year for the cash flow forecasts is at 5.1 percent (previous year: 3.9 percent before taxes). There was no need for impairment in the financial year. This also qualitatively reflects the expectation of the Management Board due to the high strategic importance.

Sensitivity of the applied assumptions

The sensitivity of the applied assumptions concerning an impairment of the frequencies is dependent on the fundamental assumptions for the pertinent cash-generating unit.

Within the scope of sensitivity analyses for the cash-generating unit "1&1 Mobile Network", an increase of 1.0 percentage points in costs of capital and an increase of 5 percent in operating costs for active network technology (especially energy costs) was assumed. These assumptions would result in an impairment of approximately €570 million. According to present knowledge, the Company's management does not expect any significant changes in the planned costs for passive infrastructure and for the costs of network construction due to the contractual constellations with the grid expansion partners. The assumptions about the possible development of the cost of capital rate are based on the interest rate level, which rose sharply in 2022 due to external influences. Opportunities from the possibility of price adjustments due to increased operating costs are not taken into account in the sensitivity analysis.

28. Trade accounts payable

Trade accounts payable amount to €229,137k (31/12/2021: €262,592k) as at the balance sheet date 31 December 2022. Trade accounts payable include all of the liabilities due to suppliers related to the delivery of goods and the performances of services by third parties.

29. Short-term accounts due to associated companies

Short-term accounts due to associated companies per the balance sheet date 31 December 2022 amount to €77,927k (31/12/2021: €85,162k) and relate to group companies of the United Internet Group that are not part of the Group's scope of consolidation.

Reference is made here to item 42 of the notes concerning accounts due to associated companies.

30. Contract liabilities

	31/12/2022 €k	31/12/2021 €k
Contract liabilities	55,595	56,148
of which short-term	48,298	48,701
of which long-term	7,297	7,447
Total	**55,595**	**56,148**

Contract liabilities consist of payments on account of €7,500k (31/12/2021: €9,519k), deferred revenue of €26,185k (31/12/2021: €24,962k) and deferred income from one-off fees of €21,910k (31/12/2021: €21,667k) that are updated through profit and loss.

31. Income tax assets / income tax liabilities

Income tax assets mainly relate to receivables from tax authorities in Germany and amounted to €6,061k (31/12/2021: €1,650k) as per the reporting date.

The income tax liabilities in the amount of €28,765k (31/12/2021: €42,017k) are related as in the previous year to liabilities due to fiscal authorities in Germany.

32. Other provisions

The development of the provisions is presented below:

	Share-based Remuneration €k	Litigation risks €k	Termination compensation €k	Miscellaneous €k	Total €k
1 January 2022	175	1,053	43,475	5,650	50,353
Utilisation	0	473	7,528	1,502	9,503
Reversal	175	0	838	4,109	5,122
Allocation	0	2,602	3,194	1,440	7,236
31 December 2022	**0**	**3,182**	**38,303**	**1,479**	**42,964**

Reference is made to the remarks under item 37 of the notes, Share-based remuneration, for information regarding the provision for share-based remuneration.

Litigation risks comprise various legal disputes in various companies of the Group and potential fines imposed by the authorities.

The provision for termination fees relates to the payments to be made to the network operators in the event of termination.

The other provisions are mainly warranty provisions.

Provisions in the amount of €38,321k (31/12/2021: €43,576k) have a term of one to five years and provisions in the amount of €230k (previous year: €0k) have a term of more than five years.

33. Other short-term financial liabilities

The other short-term financial liabilities break down as follows:

	31/12/2022 €k	31/12/2021 €k
Other short-term financial liabilities		
Frequency liabilities	61,266	61,266
Marketing and distribution costs/distribution commissions	15,302	15,065
Liabilities from salaries / personnel	11,803	11,823
Obligations pursuant to leases	10,977	11,595

	31/12/2022 €k	31/12/2021 €k
Customers with credit balances	7,079	6,146
Legal and professional fees, closing expenses	1,074	2,737
Miscellaneous	13,950	12,180
Total	**121,451**	**120,812**

Reference is made here to item 43 of the notes concerning frequency liabilities.

34. Other short-term non-financial liabilities

The other short-term non-financial liabilities break down as follows:

	31/12/2022 €k	31/12/2021 €k
Other short-term non-financial liabilities		
Value-added tax	37,078	87,414
Income and church tax due	2,626	2,526
Total	**39,704**	**89,940**

35. Other long-term financial liabilities

The other long-term financial liabilities break down as follows:

	31/12/2022 €k	31/12/2021 €k
Other long-term financial liabilities		
Frequency liabilities	763,858	825,124
Obligations pursuant to leases	91,692	90,690
Miscellaneous	2,100	2,308
Total	**857,650**	**918,122**

Reference is made here to item 43 of the notes concerning frequency liabilities.

36. Maturity structure of the liabilities

The maturity structure of the liabilities in financial year 2022 is presented below:

	Up to 1 year €k	1 to 5 years €k	More than 5 years €k	Total €k
Trade accounts payable	229,137	0	0	229,137
Liabilities due to associated companies	77,927	0	0	77,927
Contract liabilities	48,298	7,297	0	55,595
Other financial liabilities	121,451	482,884	374,766	979,101
Other non-financial liabilities	39,704	0	0	39,704
Other provisions	4,413	38,321	230	42,964
Income tax liabilities	28,765	0	0	28,765
Total	**549,695**	**528,502**	**374,996**	**1,453,193**

The frequency liabilities, which are disclosed under other financial liabilities, have a term until 2030.

The liabilities in the previous year displayed the following maturity structure:

	Up to 1 year €k	1 to 5 years €k	More than 5 years €k	Total €k
Trade accounts payable	262,592	0	0	262,592
Liabilities due to associated companies	85,162	0	0	85,162
Contract liabilities	48,701	7,447	0	56,148
Other financial liabilities	120,812	418,700	499,422	1,038,934
Other non-financial liabilities	89,940	0	0	89,940
Other provisions	6,777	43,576	0	50,353
Income tax liabilities	42,017	0	0	42,017
Total	**656,001**	**469,723**	**499,422**	**1,625,146**

37. Share-based remuneration

There are two different employee stock ownership programmes in the reporting year 2022: A new employee participation model oriented to the long term, the so-called Stock Appreciation Rights Drillisch (SAR Drillisch programme), which was launched in the reporting year 2020, and a previous employee participation model, the so-called Stock Appreciation Rights (SAR United Internet).

Stock Appreciation Rights (SAR United Internet)

The older employee stock ownership model, the so-called Stock Appreciation Rights (SAR) programme, is aimed at executives and executive employees of many years' standing and is based on virtual stock options of United Internet AG. From the perspective of 1&1, this share-based remuneration is to be presented as share-based remuneration with cash settlement ("cash-settled").

A stock appreciation right (SAR) is a promise to pay the beneficiaries a payment equal to the difference between the stock market price when the option is granted (agreed exercise price) and the stock market price when the option is exercised. The exercise hurdle is 120 percent of the exercise price. The exercise price is calculated as the mean of the closing prices in the Xetra trading for the Company's stock on the Frankfurt Stock Exchange during the last 10 trading days prior to the time of allocation of the option. The payment of the increase in value for the beneficiary is limited, depending on the agreements of individual tranches, to 100 percent of the determined stock exchange price (exercise price).

One SAR corresponds to a virtual subscription right to one share of United Internet AG stock, but is not a share right and consequently is not a (genuine) option for the purchase of United Internet AG stock. Beneficiaries are not entitled to a dividend payment from the Company. In principle, fulfilment by cash settlement is envisaged. However, United Internet AG reserves the right to fulfil its obligation (or obligation of the subsidiary) to pay out the SAR in cash by transferring instead (at its own discretion) shares of United Internet AG from its treasury stock to the beneficiaries. As these shares are not own equity instruments, the SAR UI is disclosed as cash-settled in the consolidated financial statements of 1&1.

The option right may be exercised with respect to a partial amount of up to 25 percent at the earliest after the expiry of 24 months from the date of issue of the option, with respect to a partial amount of up to 50 percent in total at the earliest 36 months after the date of issue of the option, with respect to a partial amount of up to 75 percent in total at the earliest 48 months after the date of issue of the option and with respect to the total amount at the earliest after the expiry of 60 months after the date of issue of the option, provided that the beneficiary concerned has not given notice of termination at the end of each year. The SARs have a basic term of 6 years with the consequence that after this period all unexercised SARs lapse without compensation. Beyond that, there are no further conditions to be fulfilled for a successful allocation of the SARs.

Using an option price model based on a so-called Black-Scholes evaluation model in compliance with IFRS 2, the fair value of the allocated options was calculated on the basis of the following major evaluation parameters:

Issue date		06/04/2017
Evaluation model	Black-Scholes-Modell	
Number of SARs	100,000	
Share price	40.95	€
Exercise price	41.26	€
Average market value per option	4.80	€
Dividend return	1.95	%
Volatility of the stock	24.86	%
Expected duration	2 to 5	years
Risk-free interest	0	%

The limited disbursement per SAR was mapped by deducting the value of an option valuation at twice the exercise price. The earliest possible exercise was assumed as part of the Black-Scholes valuation with regard to the exercise window.

As the SARs do not carry dividend rights, a dividend yield based on the dividend for the pertinent financial year and the share price of United Internet AG as of the reporting date was taken into account in the valuation of the SARs in accordance with IFRS 2.B34.

The volatility used to determine the fair value was determined by a weighted average based on the historical volatility for the last 180 (1/3 weighting) or 360 days (2/3 weighting) before the valuation date. The exercise price is calculated on the basis of the average stock price of the last 10 days before the issue date.

The obligation of 1&1 AG Group is presented as a provision in accordance with the regulations of IFRS 2. In financial year 2022, this resulted in earnings of €175k (previous year: earnings of €418k). As at 31 December 2022, the carrying value of the provisions from share-based remuneration amounts to €0k (31/12/2021: €175k). At 31 December 2022, 100,000 virtual stock options (previous year: 100,000 options) at an average exercise price of €41.26 (previous year: €41.26) were outstanding.

Stock Appreciation Rights Drillisch (SAR Drillisch)

The programme was aimed at Management Board members, managers and key employees and was based on virtual stock options of 1&1 AG. One SAR Drillisch encompasses the commitment of 1&1 AG (or one of its subsidiaries) to make payments to the beneficiary of the option, the amount of which is calculated as the difference between the exercise price (set at the time of the allocation) and the stock exchange price of one share of 1&1 stock when the option is exercised.

The exercise hurdle is 120 percent of the exercise price. The exercise price is calculated as the mean of the closing prices in the Xetra trading for the Company's stock on the Frankfurt Stock Exchange during the last 10 trading days prior to the time of issue of the option. The payment of the appreciation for the beneficiary is at the same time limited to 100 percent of the stock exchange price determined (issue price) (CAP).

One SAR corresponds to a virtual subscription right to one share of 1&1 AG stock, but is not a share right and consequently is not a (genuine) option for the purchase of 1&1 AG stock. Beneficiaries are not entitled to any possible dividend payment from the Company. In principle, fulfilment of the claims by cash settlement is envisaged. However, 1&1 AG reserves the right to fulfil its obligation (or obligation of the subsidiary) to pay out the SAR in cash by transferring instead (at its own discretion) shares of 1&1 AG from its treasury stock to the beneficiaries. Since there is currently no obligation for cash settlement, these commitments are disclosed as agreements with compensation through equity instruments ("equity-settled").

Persons entitled to an option have an exercise window of 10 days to exercise their options. It begins on the third day after the Annual General Meeting or after the publication of the 9-month report.

The blocking period for exercise is two years. The virtual share option may be exercised with respect to a partial amount of up to 25 percent at the earliest after the expiry of 24 months from the date of issue of the option, with respect to a partial amount of up to 50 percent in total at the earliest 36 months after the date of issue of the option, with respect to a partial amount of up to 75 percent in total at the earliest 48 months after the date of issue of the option and with respect to the total amount at the earliest after the expiry of 60 months after the date of issue of the option, provided that the beneficiary concerned has not given notice of termination at the end of each year. The SARs have a basic term of 6 years, however, with the consequence that after this period all unexercised SARs lapse without compensation. Beyond that, there are no further conditions to be fulfilled for a successful allocation of the SARs.

Tranches that cannot be exercised in the available exercise window because the exercise window has not been reached can be exercised in the next regular exercise window of the tranche.

Using an option price model based on a so-called Black-Scholes evaluation model in compliance with IFRS 2, the fair value of the allocated options was calculated as follows:

Valuation parameters in financial year

Allocation date	01/01/2022		01/10/2022	
Number of SARs	258,000		21,000	
Initial price	24.02	€	13.49	€
Exercise price	24.11	€	14.28	€
Average market value per option	4.05	€	1.81	€
Dividend return	0.21	%	0.37	%
Volatility of the stock	31.05	%	22.47	%
Expected duration	2 to 5	years	2 to 5	years
Risk-free interest rate	0.00	%	1.36	%

Allocation date	17/04/2020		01/06/2020		01/06/2021	
Number of SARs	1,850,100		270,000		228,400	
Initial price	19.84	€	22.95	€	26.30	€
Exercise price	19.07	€	23.2	€	26.27	€
Average market value per option	3.64	€	4.12	€	4.84	€
Dividend return	0.25	%	0.22	%	0.19	%
Volatility of the stock	55.34	%	53.95	%	47.68	%
Expected duration	2 to 5	years	2 to 5	years	2 to 5	years
Risk-free interest rate	0.00	%	0.00	%	0.00	%

The exercise price is calculated on the basis of the average stock price of the last 10 days before the allocation date. The volatility used to determine the fair value was determined by a weighted average of the historical volatility for the last 180 (1/3 weighting) or 360 days (2/3 weighting) before the valuation date.

As separate tranches can be exercised prematurely, the terms of between 2 and 5 years were used as a basis for the valuation.

The limited disbursement (CAP) per SAR was mapped by deducting the value of an option valuation at twice the exercise price. The earliest possible exercise was assumed as part of the Black-Scholes valuation with regard to the exercise window. As the SARs do not carry dividend rights, a dividend yield based on the dividend for the pertinent financial year and the share price of 1&1 AG as of the reporting date was taken into account in the valuation of the SARs in accordance with IFRS 2.B34.

The following effects resulted from the Drillisch SAR programme as of the reporting date:

	2022 €k	2021 €k
Expected total expense from the employee stock ownership programme	9,871	10,306
Cumulative expenses until the end of the financial year	6,877	5,043
Expenditure expected to be incurred in future years	2,994	5,263
Personnel expenses in the financial year	1,834	3,164

The changes in the vested or outstanding virtual share options can be seen in the following table:

	SAR	Average exercise price (€)
Outstanding per 1 January 2020	**2,488,600**	**19.61**
Newly vested	228,400	26.27
Newly vested	28,000	25.98
Outstanding per 31 December 2021	**2,745,000**	**20.23**
Lapsed / forfeited	-396,500	20.14
Newly vested	258,000	24.11
Newly vested	21,000	14.28
Outstanding per 31 December 2022	**2,627,500**	**20.58**

A programme introduced in the first half of 2018, the Stock Appreciation Rights Drillisch (SAR Drillisch), remained in effect until 17 April 2020. The programme was aimed at Management Board members, managers and employees in key positions and was based on virtual stock options of 1&1 AG (formerly 1&1 Drillisch AG).

An SAR Drillisch encompassed the commitment of 1&1 AG (or one of its subsidiaries) to make payments to a person entitled to the option in an amount resulting from the development of the stock price and the operating results (EBIT) of 1&1 AG (consolidated). So-called SARs were allocated to the participants in the SAR programme and allotted over a vesting period. One SAR corresponded to a virtual subscription right to one share of 1&1 AG stock, but was not a share right and consequently was not a (genuine) option for the purchase of 1&1 AG stock. The claim pursuant to one SAR was dependent on the development of the stock price and of the EBIT.

The previous SAR Drillisch programme was discontinued during financial year 2020. At the time of cancellation, 77,400 share options were outstanding and were replaced in part by new equity instruments.

38. Share capital

The share capital amounts to €194.4 million. The share capital is distributed in 176,764,649 no-par shares issued to the bearer with a proportionate share in the share capital of €1.10 each and represents the share capital of 1&1 AG. In financial years 2018 and 2019, a total of 500,000 1&1 AG shares were acquired as part of the stock repurchase programme.

In financial year 2021, 17,000 shares were issued from treasury shares and 18,000 shares were sold. There were no further sales, issues or repurchases of treasury shares in financial year 2022. As at the balance sheet date, 465,000 shares (31/12/2021: 465,000 shares) were held as treasury stock.

The nominal value of the treasury shares of € 0.5 million is deducted from the share capital of €194.4 million, so that the issued share capital amounts to €193.9 million.

Approved Capital 2018

Pursuant to a resolution adopted by the extraordinary General Meeting on 12 January 2018, the Management Board was authorised, subject to the consent of the Supervisory Board, to increase the Company's share capital by a total of €97,220,556.40 by single or multiple issue of new no-par shares against cash and / or contributions in kind (Approved Capital 2018) by 11 January 2023.

The Management Board's authorisation to increase the share capital was withdrawn by the Annual General Meeting on 18 May 2022.

Approved Capital 2022

Pursuant to a resolution adopted by the Annual General Meeting on 18 May 2022, the Management Board was authorised, subject to the consent of the Supervisory Board, to increase the Company's share capital by a total of €97,220,556.40 by single or multiple issue of new no-par shares against cash and / or contributions in kind (Approved Capital 2022) by 17 May 2027.

In the event of cash contributions, the new shares issued by the Management Board may, subject to the consent of the Supervisory Board, also be taken over by one or more banks or other companies fulfilling the prerequisites of section 186(5) first sentence AktG, subject to the obligation to offer them for subscription solely and exclusively to the shareholders (indirect subscription right). As a matter of principle, a subscription right is to be granted to the shareholders. However, the Management Board is authorised, subject to the consent of the Supervisory Board, to preclude shareholders' subscription rights:

- So that fractional amounts are excluded from the subscription right;

- If the capital increase is achieved by cash contributions and the issue price of the new shares is not significantly lower than that of the shares already traded on the exchange at the time of the final determination of the issue price, which should take place as contemporaneously as possible with the placement of the shares. The number of shares issued subject to exclusion of the subscription pursuant to section 186(3) fourth sentence AktG may not exceed 10 percent of the share capital, neither at the point in time at which this authorisation becomes effective nor at the point in time that it is exercised. Any shares that are issued or that are to be issued pursuant to options or convertible bonds must be attributed to this figure to the extent that the bonds are issued during the term of this authorisation in application mutatis mutandis of section 186(3) fourth sentence AktG in exclusion of subscription rights; moreover, any shares that are issued or sold during the term of this authorisation in direct application or application mutatis mutandis of section 186(3) fourth sentence AktG must be attributed to this figure;

- To the extent required to ensure that a subscription right can be granted to holders or creditors of option and / or conversion rights or of equivalent option and / or conversion obligations from bonds that have been or are issued by the Company and / or by companies dependent on the Company or in which the Company holds a majority interest, either directly or indirectly, equivalent to the subscription right to which such holders or creditors would be entitled after exercise of their option and / or conversion right or after fulfilment of the option and / or conversion obligation;

- If the capital increase against contributions in kind is carried out for the purpose of issuing shares within the framework of corporate mergers or of acquiring companies or parts of companies, holdings in companies or other assets;

Furthermore, the Management Board is authorised, subject to the consent of the Supervisory Board, to determine the further content of the stock rights and the terms and conditions of the issue of the shares. The Supervisory Board is authorised to amend the current version of the Articles of Association in accordance with the specific utilisation of the Approved Capital 2022 or after the expiration of the authorisation.

Contingent Capital 2018

The share capital has been contingently raised by up to €96,800,000.00 by the issue of up to 88,000,000 new no-par shares issued to the bearer (Contingent Capital 2018).

At the Annual General Meeting of 18 May 2022, the existing authorisation from the Extraordinary General Meeting of 12 January 2018 to issue 88,000,000 new shares was withdrawn.

Contingent Capital 2022

The share capital has been contingently raised by up to €96,800,000.00 by the issue of up to 88,000,000 new no-par shares issued to the bearer (Contingent Capital 2022). The contingent capital increase will be carried out solely to the extent that the holders or creditors of option and / or convertible bonds, profit sharing rights and / or income bonds (or combinations of these instruments) that include option and / or conversion rights and / or option and / or conversion obligations or tender rights of the Company and that are issued by the Company, or by companies dependent on the Company or in which the Company, directly or indirectly, holds a majority interest, pursuant to the authorisation resolution of the Extraordinary General Meeting of 18 May 2022, by no later than 17 May 2027, exercise their option or conversion rights pursuant to these bonds or fulfil their obligation to exercise the option or for conversion; or, to the extent the Company exercises an option to grant no-par shares of the Company in lieu of the payment of a cash amount that is due and to the extent that no cash compensation is granted or that own shares or shares of another company listed on the stock exchange are not used to satisfy the claims. The new shares will be issued in each case at the option or conversion price to be determined in accordance with the authorisation resolution stipulated above. The new shares participate in profits as of the beginning of the financial year in which they are issued; to the extent legally permissible, the Management Board, subject to the Supervisory Board’s consent, may also determine the participation in profits for a previously expired financial year for new shares in abrogation of this provision and of section 60(2) AktG. The Management Board is authorised, subject to the consent of the Supervisory Board, to determine the details of the conduct of the contingent capital increase.

39. Capital reserves and other equity

Capital reserves per 31 December 2022 came to €2,437,940k (31/12/2021: €2,436,106k). The increase in the capital reserves results from the addition of €1,834k within the framework of employee stock option programmes.

Other equity in the amount of €-586k (previous year €-879k) includes the result from categories that are not subsequently reclassified in the profit and loss statement and results essentially from the application of the IFRS 9 regulations for the measurement of financial assets. In this case, changes in the fair value of these financial assets are recognised through other comprehensive income in other equity.

40. Treasury stock

The extraordinary General Meeting on 12 January 2018 authorised the Management Board of 1&1 AG to acquire shares of the Company’s own stock in an amount totalling no more than 10 percent of the share capital at the time of the adoption of the resolution or – if this value is lower – at the time of the exercise of the authorisation; this authorisation expires on 11 January 2023. Any shares acquired pursuant to this authorisation, together with any other treasury stock in the Company's possession or attributable to the Company pursuant to sections 71a et seqq. AktG, may not exceed at any time a value of 10 percent of the share capital.

The granted authorisation for the acquisition and utilisation of treasury stock was withdrawn by the Annual General Meeting of 18 May 2022 and superseded by the new authorisation below:

The Company is authorised to acquire shares of the Company's own stock in an amount totalling no more than 10 percent of the share capital at the time of the adoption of the resolution or – if this value is lower – at the time of the exercise of the authorisation; this authorisation expires on 17 May 2027. Any shares acquired pursuant to this authorisation, together with any other treasury stock in the Company's possession or attributable to the Company pursuant to sections 71a et seqq. AktG, may not exceed at any time a value of 10 percent of the share capital.

The authorisation may be exercised in one full amount or in partial amounts, once or on multiple occasions, in pursuit of one or multiple objectives, directly by the Company or also by companies dependent on the Company or in which the Company, directly or indirectly, holds a majority interest, or by third parties instructed by the Company or by companies dependent on the Company or in which the Company, directly or indirectly, holds a majority interest.

At the option of the Management Board, the shares may be acquired on the stock exchange or on the basis of a public purchase offer or by means of a public invitation to submit offers to sell.

The Management Board is authorised, subject to the Supervisory Board's consent, to sell any Company shares acquired pursuant to this authorisation on the stock exchange or by offer to all shareholders in the ratio of their holdings. Moreover, Company shares acquired pursuant to this authorisation may be used for any and all other legally permissible purposes, including in particular, but not limited to, the following purposes:

- The shares may be sold to third parties against cash payment at a price that does not fall significantly short of the stock exchange price of shares of an equivalent nature at the point in time of the sale. In this case, the number of shares to be sold may not exceed in total 10 percent of the share capital at the time of the adoption of the resolution by the General Meeting or – if this amount is lower – 10 percent of the share capital at the time of the sale of the Company's shares. Any shares issued or sold in application, whether direct or mutatis mutandis, of section 186(3) fourth sentence AktG during the term of this authorisation must be attributed to this limitation of 10 percent of the share capital. Furthermore, any shares that must be issued to satisfy option and / or convertible bonds must be attributed to this limit of 10 percent of the share capital, provided that the bonds have been issued during the term of this authorisation in application mutatis mutandis of section 186(3) fourth sentence AktG and excluding the subscription right.

- The shares may be used to fulfil obligations arising from bonds with option and / or conversion rights or option and / or conversion obligations issued by the Company or companies controlled by the Company or in which the Company holds, directly or indirectly, a majority interest.

- The shares may be issued against assets, including claims against the Company, in particular, but not solely, in relation to the acquisition of companies, holdings in companies or parts of companies, or corporate mergers.

- The shares may be used in relation to share-based compensation or employee stock option programmes of the Company or of its affiliates and may be offered and transferred to persons who are or were in an employment relationship with the Company or one of its affiliates as well as to directors and officers of the Company's affiliates.

- The shares may be redeemed without requiring any additional General Meeting resolution for the redemption or the execution of the redemption. The Management Board may determine that the share capital will be decreased during the redemption; in this case, the Management Board is authorised to reduce the share capital by the proportionate amount of share capital attributable to the redeemed shares and to adjust the information regarding the number of shares and the share capital in the Company Charter. The Management Board may also determine that the share capital will remain unchanged by the redemption and that instead the share of the other shares in the share capital will be increased by the redemption pursuant to section 8(3) AktG. The Management Board is authorised is this case as well to adjust the information regarding the number of shares in the Company by-laws.

The Supervisory Board is authorised to assign treasury stock acquired pursuant to this authorisation to the members of the Company's Management Board in fulfilment of applicable remuneration agreements.

The subscription right of the shareholders is excluded to the extent that treasury stock is utilised in accordance with the authorisations described above. Furthermore, the Management Board, subject to the consent of the Supervisory Board, is authorised, in the event of the sale of acquired treasury stock based on an offer to the shareholders, to grant to the holders or creditors of bonds with option and / or conversion rights or corresponding option and / or conversion obligations issued by the Company, or by companies dependent on the Company or in which the Company, directly or indirectly, holds a majority interest, a subscription right to the shares in the scope to which they would be entitled after exercise of the option or conversion right or fulfilment of the option or conversion obligation; the shareholders' subscription right is precluded in the same scope.

As in the previous year, the repurchase right was not exercised during 2022.

In financial year 2021, 35,000 shares of own stock were issued and sold, increasing the Company's share capital by €38,500.00 to €193,929,613.90. Per 31 December 2022, 1&1 AG held 465,000 own shares representing €511,500 (0.26 percent) of the share capital.

41. Additional disclosures about the financial instruments

The table below presents the carrying value of each category of financial assets and liabilities as at 31 December 2022:

	Evaluation category per IFRS 9	Carrying value as at 31/12/2022	Amortised acquisition costs	At fair value through other comprehensive income without recycling to the profit and loss account	Valuation according to IFRS 16	Fair Value as at 31/12/2022
		€k	€k	€k	€k	€k
Financial assets						
Cash and cash equivalents	ac	4,677	4,677			4,677
Trade accounts receivable	ac	267,820	267,820			267,820
Accounts due from associated companies	ac	570,763	570,763			570,763
Other short-term financial assets	ac	25,286	25,286			25,286
Other long-term financial assets						
- Participating interests	fvoci	1,622		1,622		1,622
- Miscellaneous	ac	646	646			646
Financial liabilities						
Trade accounts payable	ac	-229,137	-229,137			-229,137
Liabilities due to associated companies	ac	-77,927	-77,927			-77,927
Other short-term financial liabilities	ac / n / a					
- Lease obligations	n / a	-10,977			-10,977	
- Miscellaneous	ac	-110,474	-110,474			-110,474
Other long-term financial liabilities	ac / n / a					
- Lease obligations	n / a	-91,692			-91,692	
- Miscellaneous	ac	-765,958	-765,958			-765,958
of which aggregated per classification categories:						
- Financial assets at amortised cost	ac	869,192	869,192			869,192

	Evaluation category per IFRS 9	Carrying value as at 31/12/2022	Amortised acquisition costs	At fair value through other comprehensive income without recycling to the profit and loss account	Valuation according to IFRS 16	Fair Value as at 31/12/2022
		€k	€k	€k	€k	€k
- Financial assets at fair value through other comprehensive income without recycling to profit and loss	fvoci	1,622		1,622		1,622
- Financial liabilities at amortised acquisition cost	ac	-1,183,496	-1,183,496			-1,183,496
Leasing obligations	n / a	-102,669			-102,669	

The following net results were disclosed for the specific categories of financial instruments pursuant to IFRS 9 in financial year 2022:

2022 **Net result according to measurement categories**	**Valuation category according to IFRS 9**	**From interest and Dividends**	**Currency translation**	**Valuation allowance**	**Net result**
		€k	**€k**	**€k**	**€k**
Financial assets calculated at amortised acquisition cost	ac	4,113	80	-59,000	-54,807
Financial assets measured at fair value (through other comprehensive income)	fvoci	0	0	0	0
Financial liabilities measured at amortised cost	ac	-6,439	34	0	-6,405
Total		-2,326	114	-59,000	-61,212

Cash and cash equivalents, trade accounts receivable, accounts due from associated companies and other short-term financial assets have short remaining terms. Their carrying values on the closing date are consequently close to fair value.

Participations are disclosed at fair value. It is assumed for the remaining other long-term assets, which are disclosed in the balance sheet at amortised cost, that their carrying value is equivalent to fair value.

Trade accounts payable, liabilities due to associated companies and other short-term financial liabilities have short remaining terms; the disclosed values represent approximately the fair values.

It is assumed for the remaining other long-term liabilities, which are disclosed in the balance sheet at amortised cost, that their carrying value is equivalent to fair value.

The measurement of financial assets measured at fair value is based on appropriate valuation techniques. Insofar as available, stock exchange prices on active markets are used. Option price models are primarily used to measure purchase price liabilities.

The table below presents the carrying values and fair values of each category of financial assets and liabilities per 31 December 2021.

	Evaluation category per IFRS 9	Carrying value as at 31/12/2021 €k	Amortised acquisition costs €k	At fair value through other comprehensive income without recycling to the profit and loss account €k	Valuation according to IFRS 16 €k	Fair Value as at 31/12/2021 €k
Financial assets						
Cash and cash equivalents	ac	4,555	4,555			4,555
Trade accounts receivable	ac	248,106	248,106			248,106
Accounts due from associated companies	ac	718,091	718,091			718,091
Other short-term financial assets	ac	24,926	24,926			24,926
Other long-term financial assets						
- Participating interests	fvoci	1,243		1,243		1,243
- Miscellaneous	ac	692	692			692
Financial liabilities						
Trade accounts payable	ac	-262,592	-262,592			-262,592
Liabilities due to associated companies	ac	-85,162	-85,162			-85,162
Other short-term financial liabilities	ac / n / a					
- Lease obligations	n / a	-11,595			-11,595	
- Miscellaneous	ac	-109,217	-109,217			-109,217
Other short-term financial liabilities	ac / n / a					
- Lease obligations	n / a	-90,690			-90,690	
- Miscellaneous	ac	-827,432	-827,432			-827,432
of which aggregated per classification categories:						
- Financial assets at amortised cost	ac	996,370	996,370			996,370
- Financial assets at fair value through other comprehensive income without recycling to profit and loss	fvoci	1,243		1,243		1,243

	Evaluation category per IFRS 9	Carrying value as at 31/12/2021	Amortised acquisition costs	At fair value through other comprehensive income without recycling to the profit and loss account	Valuation according to IFRS 16	Fair Value as at 31/12/2021
		€k	€k	€k	€k	€k
- Financial liabilities at amortised cost	ac	-1,284,403	-1,284,403			-1,284,403
Leasing obligations	n / a	-102,285			-102,285	

The following net results were disclosed for the specific categories of financial instruments pursuant to IFRS 9 in financial year 2021:

2021 Net result according to measurement categories	Valuation category according to IFRS 9	From interest and Dividends	Currency translation	Valuation allowance	Net result
		€k	€k	€k	€k
Financial assets calculated at amortised acquisition cost	ac	1,112	140	-46,314	-45,062
Financial assets measured at fair value (through other comprehensive income)	fvoci	0	0	0	0
Financial liabilities measured at amortised cost	ac	-12,428	60	0	-12,368
Total		-11,316	200	-46,314	-57,430

Hierarchy of fair values

The Group uses the following hierarchy for the determination and disclosure of fair values of financial instruments in each valuation method:

Level 1: Quoted prices (unadjusted) on active markets for identical assets or liabilities.

Level 2: Methods during which all input parameters that have significant effect on the recognised fair value are observable, either directly or indirectly.

Level 3: Methods that use input parameters that have significant effect on the recognised fair value and are not based on observable market data.

Assets and liabilities measured at fair value

Long-term financial assets include participations of €1,622k (31/12/2021: €1,243k) that were measured at fair value (Level 3).

As in the previous year, there were no transfers between the valuation levels during the reporting period.

42. Related party disclosures

Pursuant to IAS 24, persons and companies are regarded as related parties if one of the parties has the possibility to control the other party or to exercise a significant influence. Related parties of the Group include Management and Supervisory Boards of 1&1 AG, United Internet AG as the top-level controlling company within the sense of IAS 24.13 and the group companies of United Internet Group that are not included in the consolidation of the Group. Moreover, participations on which the Group companies can exercise significant influence (associated companies) are classified as related parties. In addition, Mr Ralph Dommermuth, being the majority shareholder of United Internet AG, is classified as a related party.

1&1 has concluded a sponsorship agreement with Borussia Dortmund GmbH & Co. KGaA, where Ms Judith Dommermuth has been a member of the Supervisory Board since 19 November 2020. Ms Judith Dommermuth, being the wife of Mr Ralph Dommermuth, must be classified as a related party. The sponsorship agreement, which was concluded before Ms Dommermuth joined the Supervisory Board, obligates 1&1 to make annual payments of around €20 million. In return, 1&1 is entitled to various advertising measures. The contract has a term until mid-2025 so that other financial obligations amounting to around €50 million exist as of the balance sheet date.

Supervisory Board

Kurt Dobitsch
Entrepreneur, Markt Schwaben
– Chairman –

Seats held on supervisory boards required by law or other supervisory bodies:

- 1&1 Mail & Media Applications SE, Montabaur (Supervisory Board chairman)
- IONOS Group SE, Montabaur (since 26/01/2023)
- IONOS Holding SE, Montabaur
- Nemetschek SE, Munich (Supervisory Board chairman)

- Bechtle AG, Gaildorf
- Singhammer IT Consulting AG, Munich

Kai-Uwe Ricke
Entrepreneur, Stallikon / Switzerland
– Deputy Chairman –

Seats held on supervisory boards required by law or other supervisory bodies:

- Cash Credit Limited, Cayman Islands (until 02/09/2022)
- Delta Partners Growth Fund II GP Limited, Cayman Islands (until 25/06/2022)
- Delta Partners Growth Fund II (Carry) General Partner Limited, Cayman Islands (until 25/06/2022)
- euNetworks Group Limited LLC, Cayman Islands

Norbert Lang
Entrepreneur, Waldbrunn

Seats held on supervisory boards required by law or other supervisory bodies:

- Rocket Internet SE, Berlin

Vlasios Choulidis
Entrepreneur, Gelnhausen

Dr. Claudia Borgas-Herold
Entrepreneur, Kilchberg / Switzerland

Seats held on supervisory boards required by law or other supervisory bodies:

- IONOS Group SE, Montabaur (since 26/01/2023)
- IONOS Holding SE, Montabaur (since 06/09/2022)
- United Internet AG, Montabaur (until 22/08/2022)
- Tele Columbus AG, Berlin (until 21/03/2022)

Matthias Baldermann
CTO at Hutchison Drei Austria GmbH, Dresden

Management Board

Ralph Dommermuth
CEO, Montabaur

Seats held on supervisory boards required by law or other supervisory bodies:

- 1&1 Versatel GmbH, Düsseldorf (Advisory Board Chairman)
- IONOS Holding SE, Montabaur (Supervisory Board Chairman)
- IONOS Group SE, Montabaur (since 26/01/2023 Supervisory Board Chairman)
- 1&1 Mail and Media Applications SE, Montabaur
- 1&1 Telecommunication SE, Montabaur
- Tele Columbus AG, Berlin (until 15/01/2022)

Markus Huhn
Management Board member, Neuerkirch

Seats held on supervisory boards required by law or other supervisory bodies:

- 1&1 Versatel Deutschland GmbH, Düsseldorf
- 1&1 Versatel GmbH, Düsseldorf
- IQ-optimize Software AG, Maintal

Alessandro Nava
Management Board member, Essen

Seats held on supervisory boards required by law or other supervisory bodies:

- IQ-optimize Software AG, Maintal
- 1&1 Versatel GmbH, Düsseldorf

Remuneration of key management personnel

Supervisory Board remuneration consists of fixed annual remuneration and attendance fees and totalled €359k in 2022, of which €24k was variable (previous year: €324k, of which €23k was variable).

There are no subscription rights or other share-based payments for the members of the Supervisory Board.

The Supervisory Board is responsible for determining the remuneration of the Management Board. The remuneration of the members of the Management Board is performance-oriented. It contains a fixed and a variable component (Short Term Incentive ("STI")). A target income is set for the fixed remuneration and the STI, which is reviewed regularly. The fixed remuneration is paid monthly as a salary. The amount of the STI depends on the achievement of certain financial targets fixed at the beginning of the financial year, which are mainly based on revenue and earnings figures. As a rule, a range of 90 percent to 120 percent applies to target achievement. If target achievement is below 90 percent, the payment is cancelled; the STI ends at 120 percent target achievement. Any retroactive change of performance targets is prohibited. A minimum remuneration is not guaranteed. Payment is made after the adoption of the annual financial statements by the Supervisory Board. The Company has no pension commitments to the members of the Management Board.

The Management Board members receive their remuneration partly in the form of virtual stock options. In financial year 2020, 960,000 stock options with a fair value of €3,493k were vested to Management Board members.

The following table provides information on the remuneration of the members of the Management Board:

2022	Fix (€k)	Variable €k	Ancillary benefits €k	Sum of fixed, variable and Ancillary benefits €k	Market value of the share-based granted in 2020 remu-neration €k*	SAR Expense 2022 €k
Ralph Dommermuth (CEO)	0	0	0	0	0	0
Markus Huhn (CFO)	500	98	6	604	1,310	305
Alessandro Nava (COO)	500	197	14	711	2,183	509
Total	1,000	295	20	1,315	3,493	814

2021	Fix (€k)	Variable €k	Ancillary benefits €k	Sum of fixed, variable and Ancillary benefits €k	Market value of the share-based granted in 2020 remu-neration €k*	SAR Expense 2021 €k
Ralph Dommermuth (CEO)	0	0	0	0	-	
Markus Huhn (CFO)	550	51	11	612	1,310	426

2021	Fix (€k)	Variable €k	Ancillary benefits €k	Sum of fixed, variable and Ancillary benefits €k	Market value of the share-based granted in 2020 remu-neration €k*	SAR Expense 2021 €k
Alessandro Nava (COO)	500	205	14	719	2,183	709
Total	1,050	256	25	1,331	3,493	1,135

*The share-based payments (so-called stock appreciation rights) represent remuneration components with a long-term incentive effect and are paid out over a total period of six years.

The total remuneration of the Management Board within the sense of section 314(1) no. 6 a and b HGB, i.e. including the market values of the share-based payments, amounted to €1,315k in the financial year (previous year: €1,331k).

The total remuneration for the Management Board comprises the following elements:

	31/12/2022 €k	31/12/2021 €k
Benefits due in the short term	1,315	1,331
Post-employment benefits	0	0
Other benefits due in the long term	0	0
Termination benefits	0	0
Share-based remuneration	814	1,135
	2,129	**2,466**

In the financial year, 0 SARs were granted to the Management Board. No advances or loans were granted to the members of the Management Board in the financial year or in the previous year.

The perquisites usually consist of a company car appropriate to the position, the non-cash benefit of which is taxable.

Directors' Holdings

Per 31 December 2022, Management Board members held the following shares in 1&1 AG: United Internet AG, Montabaur, held 78.32 percent of the stock in 1&1 AG per the closing date 31 December 2022. Per 31 December 2022, Mr Ralph Dommermuth in turn holds indirectly through holding companies 50.10 percent of the share capital of United Internet AG as reduced by his own shares of United Internet AG.

Supervisory Board members held the following shares in 1&1 AG per 31 December 2022: Supervisory Board member Vlasios Choulidis, 273,333 no-par shares (of which 65,000 shares via MV Beteiligungs GmbH) totalling 0.16 percent of the stock of 1&1 AG.

Transactions with associated companies

All of the companies included in the consolidated financial statements of United Internet AG that are not included in the consolidation of 1&1 AG Group as well as associated companies of United Internet AG have been identified as associated companies of the Group.

Short-term accounts due from associated companies break down as shown below:

	31/12/2022 €k	31/12/2021 €k
United Internet AG	566,772	713,269
United Internet Corporate Services GmbH	2,262	312
IONOS Group	1,512	1,658
1&1 Mail & Media Group	1	1,580
Miscellaneous	216	1,272
Total	**570,763**	**718,091**

The short-term accounts receivable result from the short-term investment of cash at the parent company and from trade. Of the disclosed receivables, €566,772k (31/12/2021: €713,269k) are accounts due from the parent company (United Internet AG).

Open balances existing at the end of the financial year are unsecured, interest-free and will be settled by cash payment. There are no guarantees for accounts due from associated companies. Accounts due from related parties were not value-adjusted in financial year 2022. A recoverability test is conducted annually. This includes an assessment of the financial position of the related company and of the development of the market on which it operates. All of the receivables are due within one year, just as in the previous year.

Liabilities due to associated companies break down as shown below:

	31/12/2022 €k	31/12/2021 €k
Versatel Group	63,109	67,788
1&1 Mail & Media GmbH	5,466	7,111
A1 Marketing, Kommunikation und neue Medien GmbH	3,410	2,267

	31/12/2022 €k	31/12/2021 €k
United Internet Corporate Services GmbH	3,316	3,699
1&1 IONOS Gruppe	2,224	2,839
Miscellaneous	402	1,458
Total	**77,927**	**85,162**

Accounts due to associated companies result above all from trade. Of the disclosed liabilities, €42k (31/12/2021: €92k) comprise liabilities due to the parent company (United Internet AG). The open balances existing at the end of the financial year are unsecured and, with the exception of liabilities owed to United Internet AG, interest-free and are settled by cash payment. There are no guarantees.

The parent company, United Internet AG, has granted to 1&1 AG a credit line with an indefinite term totalling €200 million. No loans had been utilised per the balance sheet date.

The liabilities are due within one year.

The following table presents the total amount of the transactions with associated companies:

Purchases / Services from associated companies / related parties 2022 €k	Sales / Services to associated companies / related parties 2022 €k	Purchases / Services from associated companies / related parties 2021 T€	Sales / Services to associated companies / related parties 2021 T€
220,811*	22,571	197,123	27,978

* Including rental payments for the business premises in Montabaur and Karlsruhe

The transactions with associated companies concern primarily issues from internal offsets of performances.

Of the disclosed expenses, €241k (previous year: €169k) are related to the parent company, United Internet AG.

In addition to the transactions shown in the table above, there are also transactions with associated companies that are strictly cost recharges without a profit mark-up. This concerns charges forward from associated companies in the amount of €789,232k (previous year: €734,208k) and charges forward to associated companies in the amount of €5,663k (previous year: €5,662k). These business transactions are carried out primarily to bundle purchasing volumes.

The business premises in Montabaur and Karlsruhe are essentially leased to 1&1 by Mr Ralph Dommermuth. The resulting payment obligations are at the usual local level.

The leases for office buildings used by several subsidiaries of the United Internet Group have been set up so that all companies using the buildings are tenants of equal standing in the buildings.

The tenants under the leases act as a joint operation in accordance with IFRS 11 "Joint Arrangements". The leases constitute a lease relationship that authorises the tenants to control the use of the office buildings during the term of the lease. The subsidiaries disclose their shares of the rights of use and lease liabilities as well as the related depreciation and interest in their own accounting.

The carrying value of the right of use per 31 December 2022 amounts to €64,084k (31/12/2021: €59,673k) and that of the lease liabilities to €65,163k (31/12/2021: €60,485k). Write-offs in financial year 2022 amounted to €6,040k (previous year: €5,748k) and interest expenses to €1,382k (previous year: €941k). The payment commitments incurred during the reporting period amounted to €7,116k (previous year: €6,293k).

Per 31 December 2022, there are no receivables or liabilities pursuant to the aforementioned lease relationships with related parties.

The interest expenses and interest income (excluding the interest effects pursuant to IFRS 16 accounting described above) realised with associated companies in each financial year are presented in the table below:

Interest income 2022 €k	Interest and similar expenses 2022 €k	Interest income 2021 €k	Interest and similar expenses 2021 €k
3,639	0	843	0

Interest income concerns above all interest paid on the investment of free cash at United Internet AG.

43. Objectives and methods of financial risk management

Basic principles of risk management

The systematics of the risk management system at 1&1 Group is described in detail in the report on the position of the Company and the Group. The essential features of financial policies are defined by the Management Board and monitored by the Supervisory Board. Certain transactions are subject to the prior consent of the Supervisory Board.

The primary financial liabilities used by the Group encompass liabilities due to associated companies, trade accounts payable and other financial liabilities. The Group has at its disposal various financial assets that result directly from its business activities. They encompass primarily trade receivables and short-term accounts due from associated companies. The Group has at its disposal exclusively original financial instruments as at the balance sheet date.

The goal of the financial risk management is to limit these risks through ongoing operating and finance-oriented activities. The Group is vulnerable in particular to liquidity risks and market risks related to its assets, liabilities and planned transactions; these risks are presented below.

Liquidity risk

The liquidity risk represents the risk that a company will have difficulties fulfilling its payment obligations arising from its financial liabilities. For 1&1, the liquidity risk, unchanged from the previous year, is the fundamental possibility that the companies will be unable to meet their ongoing financial obligations in good time. Particularly in view of the cost-intensive expansion of the mobile network over the next few years, a longer-term financial plan as well as a short-term liquidity forecast will be drawn up with the aim of securing the solvency and financial flexibility of 1&1 Group at all times. We expect to be able to service the investments in the mobile network largely from existing liquidity and future cash flows from operations. In addition, 1&1 has access to a credit balance of €565 million, which is due at any time, and a credit line of €200 million pursuant to the cash management agreement with United Internet AG..

The Group has established standardised processes and systems for the management of its bank accounts and the internal clearing accounts and for the execution of automated payment transactions. In addition to the operating liquidity, the Group maintains additional liquidity reserves that are available on short notice.

There is no significant concentration of liquidity risks in the Group.

The table below shows the maturity structure of the liabilities pursuant to the agreements concluded between the Group and outside third parties or associated companies per 31 December 2022 and 31 December 2021. The repayment plus the contractually determined minimum interest payment are shown in the specific year columns within the table.

Cash outflow for repayment and interest in financial year 2022

	Carrying amount			Cash outflow			
	31/12/2022	2023	2024	2025	2026	>2026	Total
	€k	€k	€k	€k	€k	€k	€k
Trade accounts payable	229,137	229,137	0	0	0	0	229,137
Accounts due to associated companies	77,927	77,927	0	0	0	0	77,927
Other financial liabilities	979,101	121,451	74,362	141,136	137,784	518,063	992,796

The payments from other financial liabilities essentially comprise the payments for the spectrum. On 5 September 2019, 1&1 concluded an agreement with the Federal Ministry of Transport and Digital Infrastructure (BMVI) and the Federal Ministry of Finance (BMF) regarding the construction of mobile communications sites in so-called "white spots". By taking this action, 1&1 will help to close existing coverage gaps and by building antenna sites will contribute to the improvement of mobile communications coverage in rural regions. In return, the Group will benefit from the agreement of instalment payments for the costs of the acquired 5G frequencies. This means that the licence costs originally due and payable in 2019 and 2024 can now be transferred to the federal government in instalments until 2030. Payment obligations to the federal government do not follow a linear pattern and will increase from €61 million in financial year 2025 to €128 million.

Cash outflow for repayment and interest in financial year 2021

	Carrying amount			Cash outflow			
	31/12/2021	2022	2023	2024	2025	>2025	Total
	€k	€k	€k	€k	€k	€k	€k
Trade accounts payable	262,592	262,592	0	0	0	0	262,592
Accounts due to associated companies	85,162	85,162	0	0	0	0	85,162
Other financial liabilities	1,038,934	120,812	72,687	72,419	139,449	638,649	1,044,016

Market risk

The market risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate owing to changes in market prices. The market risk includes three types of risk: interest interest rate risk, currency risk and other price risks such as share price risk. The financial instruments vulnerable to market risk include (among others) interest-bearing loans, deposits, financial assets available for sale and derivative financial instruments.

There are no significant currency risks or other price risks within the Group.

Interest risk

The interest risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate owing to changes in market interest rates.

The Group is fundamentally vulnerable to risks from changes in interest rates. The variable interest rates are based on the EURIBOR. Please refer to the remarks under note 42. See "Information regarding relations with associated companies and related parties".

The Group does not expect any significant change in the risk surcharges in the foreseeable future.

1&1 is not vulnerable to any significant interest rate risks from other circumstances. There are no bank loans and overdrafts.

Risk of default

Trade accounts receivable

Risk of default is the risk that a business partner will not fulfil its obligations related to a financial instrument or customer (framework) agreement and that this leads to a financial loss. The Group is vulnerable to risks of defaults within the framework of its operating business activities (especially trade receivables) and within the framework of its financial activities, including from deposits in banks and financial institutes.

Consequently, an extensive fraud management system that includes a preventive element has been established and is constantly being developed further. Moreover, outstanding payments are continuously monitored on a division basis, i.e. locally. Risks of default are given due consideration by means of valuation allowances and lump-sum valuation allowances. The calculation is based on historical data from actual incidents.

A pre-contract fraud check is conducted in the 1&1 mass customer business and the receivables management is handled by engaging the services of collection agencies. The valuation allowances for overdue receivables are determined essentially in dependency on the age structure of the receivables with differing measurement discounts that are basically derived from the success quota of the collection agencies engaged to collect overdue receivables. Receivables that are overdue by more than 365 days are restated at a valuation allowance of 97.5 percent to 100 percent.

Regarding the trade receivables, the maximum credit risk consists of the gross amount of the receivable shown in the balance sheet before valuation allowances and after netting to the extent there is a counterbalancing situation. Reference is made to the information under 17 of the notes regarding overdue, unimpaired trade receivables.

Accounts due from and loans to associated companies

The accounts due from and loans to associated companies are continually monitored by management. The financial position of the associated company and the development of the market on which it operates are subject to ongoing assessment by 1&1's management. There are currently no indications that existing receivables may not be recoverable.

The ongoing coronavirus pandemic and the war in Ukraine did not result in a deterioration of the default risk for trade receivables or accounts due from and loans to associated companies.

Capital management

1&1 AG is not subject to any obligations in the Company articles of association or from contractual obligations to maintain capital greater than the statutory requirements of company law. In the coming years, significant investments will be made as part of the transformation to a mobile network operator. Our financial strategy is to finance these investments as far as possible with our own funds so that we can keep the debt ratio as low as possible. Along with this, 1&1 AG plans to retain future profits as far as possible until the end of the investment phase and to propose only the minimum dividend for distribution. This will contribute towards the goal of increasing the value of the Company in the long term.

The Company may undertake adjustments to the dividend disbursement to the shareholders or a capital repayment to shareholders, acquire own stock and release it again as needed or issue new shares for the purpose of maintaining or adjusting the capital structure. Reference is made on this subject to the consolidated change in equity statement.

44. Contingencies and other obligations

Contingent liabilities

Contingent liabilities represent a possible obligation that may arise because of the occurrence of one or more uncertain future events or a current liability for which payment is unlikely or for which the amount of the obligation cannot be estimated with adequate certainty.

As in the previous year, advance services providers have filed claims in the low hundreds of millions range (the Company's internal classification defines amounts up to €333 million as low hundreds of millions range; even the total of the filed claims does not exceed this amount). 1&1 AG regards the claims from each of the opposing parties to be unfounded and does not consider an outflow of resources for these contingent liabilities to be likely.

Legal disputes

The litigation consists primarily of various legal disputes involving the Group. Provisions for litigation risks have been created for contingent obligations arising from these disputes (see note disclosure 32).

Guarantees

The Group had not issued any guarantees per the balance sheet date.

45. Disclosures of lease obligations, other financial obligations and contingent liabilities

Obligations pursuant to leases

The effects on the profit and loss statement from January to December 2022 are presented below:

	2022 €k	2021 €k
Write-offs on rights of use:		
Land and buildings	9,742	9,171
Fixtures, fittings and equipment	1,661	1,417
Licences	1,592	1,591
Network infrastructure	12	0
Total write-offs on rights of use	**13,007**	**12,179**
Interest expenses from leases	1,646	1,406
Expenses for short-term leasing liabilities	146	315
Expenses for leases for a low-value asset	494	43

There was an outflow of funds in the amount of €12,948k (previous year: €11,592k) related to lease liabilities during the reporting period.

The rights of use for licences result from the frequency transfer agreement concluded with Telefónica in financial year 2020. 1&1 has leased frequencies from Telefónica for the rollout of its own 1&1 mobile network. The agreement covers two frequency blocks of 10 MHz each in the 2.6 GHz bandwidth. The two frequency blocks will be available to 1&1 until 31 December 2025.

The following carrying values of the rights of use according to the classes of the underlying assets resulted per 31 December 2022:

	Carrying value per 31/12/2022 €k	Carrying value per 31/12/2021 €k
Land and buildings	91,913	92,442
Fixtures, fittings and equipment	3,608	2,206
Licences	4,773	6,365
Network infrastructure	1,045	0

The additions to the rights of use for financial year 2022 are as follows:

	Additions according to IFRS 16
Land and buildings	27,294
Fixtures, fittings and equipment	3,064
Licences	0
Network infrastructure	1,057

Leasing obligations as at 31 December 2022 will result in outgoing payments in the following years:

	31/12/2022 €k	31/12/2021 €k
Up to 1 year	10,977	11,595
1 to 5 years	36,822	39,638
More than 5 years	54,870	51,053
Total	**102,669**	**102,285**

The extension options not included in the valuation according to IFRS 16 will result in future payment obligations of €2.6 million (31/12/2021: €1.7 million) if they are exercised, of which €1.1 million is attributable to the network infrastructure added in the current financial year.

Other financial obligations

There were the following future payment obligations per 31 December 2022:

	31/12/2022 €k	31/12/2021 €k
Other miscellaneous obligations	589,277	193,399

The Group exercises the exemption provided in the standard IFRS 16 for leases with a term that expires within 12 months from the point in time of the initial application and the exemption for leases for which the underlying asset is of low value.

Lease obligations not recognised in the balance sheet due to application simplifications amounted to €640k as at 31/12/2022 (31/12/2021: €315k).

The Group has acquired network capacities comprising data volume as well as voice and text message allotments from Telefónica pursuant to binding provisions of the MBA MVNO agreement for the term of the agreement to June 2025. The capacity that must be purchased is 20 percent to 30 percent of the used capacity of the Telefónica network. With the conclusion of the national roaming agreement, 1&1 is able to reduce or increase the acquired quotas on a quarterly basis to a certain extent. The annual payments for the service components of the agreement are in the middle hundreds of millions range. An exact amount cannot be determined as the payments are dependent on various contractual variables as well as the future reduction or increase in capacity.

Investment expenditures for which there are contractual obligations in subsequent years per the balance sheet date amount to €266,822k (31/12/2021: €23,230k). The obligations mainly relate to investments in technical equipment for the expansion and operation of the 1&1 mobile network and exist for tangible assets in the amount of €123,866k (31/12/2021: €23,229k) and for intangible assets in the amount of €142,956k. Cash outflows are essentially expected in financial year 2023.

In financial year 2022, there are also other financial obligations from trade relationships in the amount of approximately €271,078k that are related to the expansion and operation of 1&1's own mobile network. Of this figure, around €161,972k relates to obligations to the affiliate 1&1 Versatel GmbH. These obligations result largely from a contract of many years' standing and are expected to be due in equal payments until 2050. Among other elements, the intercompany agreement provides that 1&1 Versatel will provide the access network and data centres on a rental basis. In addition, around €75,284k relates to obligations from a long-term contract concluded between 1&1 and Orange for the provision of international roaming services for the 1&1 mobile network. Significant cash outflows are expected in the years 2024 to 2027 with annually increasing amounts in a range between €12,468k and €22,468k.

In addition, other financial obligations arise from a sponsorship agreement in the amount of €50,737k. The obligations exist until June 2025 and the payment outflows will mainly occur in the financial years 2023 and 2024.

On 5 September 2019, 1&1 concluded an agreement with the Federal Ministry of Transport and Digital Infrastructure (BMVI) and the Federal Ministry of Finance (BMF) regarding the construction of mobile communications sites in so-called "white spots". Accordingly, 1&1 has covenanted to invest a total of €50 million. By taking this action, 1&1 will help to close existing coverage gaps and by building antenna sites will contribute to the improvement of mobile communications coverage in rural regions. These obligations are not included in the other miscellaneous obligations listed above as they are of a nature similar to interest.

46. Consolidated cash flow statement

The net payments from operating activities in financial year 2022 include interest paid in the amount of €3,003k (previous year: €3,343k) and interest received in the amount of €2,272k (previous year: €213k). Interest payments include payments similar to interest in the amount of €2,921k that are related to the acquisition of the 5G frequencies. 1&1 has agreed with the Federal Ministry of Transport and Digital Infrastructure (BMVI) and the Federal Ministry of Finance (BMF) to pay the costs of the acquired 5G frequencies in twelve annual instalments. In return for the deferral, 1&1 has committed to building hundreds of mobile sites in so-called "white spots", giving the investment costs a character similar to interest. The share of the total investment amount attributable to financial year 2022 is €6,473k (previous year: €11,000k) The interest received resulted mainly from interest on the cash investment at United Internet AG.

Taxes paid for financial year 2022 in the amount of €184,262k (previous year: €167,387k) concern essentially the ongoing corporate income tax, including solidarity surcharge, and ongoing trade tax. Payments for taxes on income amount to €6,770k (previous year: €45,860k).

The initial recognition of the 5G spectrum in financial year 2019 year took into account the deferral and instalment payments with the federal government as a balance sheet extension and were therefore non-cash. The instalment payment of €61,266k (previous year: €61,266k) due in financial year 2022 was reported in cash flow from financing activities.

As a matter of principle, leases are disclosed with no effect on cash upon initial recognition. Current payments include interest and repayment components. The latter are disclosed under cash flow from financing activities.

Outgoing payments relating to dividend disbursements amount to €8.8 million, as in the previous year, and are reported in cash flow from financing activities.

Regarding the change in accounts due from/to associated companies, repayments from the short-term investment of cash amounting to €148 million (previous year: outgoing payments of €313 million) are included in the cash flow from investing activities. Regarding the change in other financial liabilities, outgoing payments in the amount of €74 million (previous year: €73 million) are included in the cash flow from financing activities. In the reporting year 2022 as in the previous year, these payments were related mainly to payments for liabilities from the 5G frequency spectrum.

The composition of the cash corresponds to the item "Cash and cash equivalents" in the balance sheet.

The change in liabilities from financing activities for financial years 2021 and 2022 is shown below:

		Cash-effective changes		Non-cash changes		
	01/01/2021 k€	Repayment k€	other k€	Incurrence of liabilities k€	Interest expense k€	31/12/2021 k€
Frequency liabilities	947,655	-61,266	0	0	0	**886,389**
Lease liabilities	98,178	-11,592	0	14,293	1,406	**102,285**
Liabilities expansion white spots	0	0	-2,787	0	11,000	**8,213**
Total liabilities from financing activities	**1,045,833**	**-72,858**	**-2,787**	**14,293**	**12,406**	**996,887**

		Cash-effective changes		Non-cash changes		
	01/01/2022 k€	Repayment k€	other k€	Incurrence of liabilities k€	Interest expense k€	31/12/2022 k€
Frequency liabilities	886,389	-61,266	0	0	0	**825,123**
Lease liabilities	102,285	-12,948	0	11,686	1,646	**102,669**
Liabilities expansion white spots	8,213	0	-2,921	0	6,473	**11,765**
Total liabilities from financing activities	**996,887**	**-74,214**	**-2,921**	**11,686**	**8,119**	**939,557**

47. Auditor’s fees

Auditor’s fees in the amount of €964k were calculated in the consolidated financial statements in financial year 2022. This figure breaks down into €932k related to audits of financial statements and €32k to other assurance services.

48. Profit per share

The undiluted profit per share is calculated in accordance with IAS 33.9 et seqq. by dividing the consolidated profit by the weighted average of the number of ordinary shares outstanding.

The diluted profit per share is calculated in accordance with IAS 33.30 et seqq. by dividing the consolidated results, adjusted for the after-tax effects of any interest recognised in the period related to potential ordinary shares, by the weighted average number of shares outstanding plus the weighted number of shares which would be issued on the conversion of all dilutive potential shares into ordinary shares.

Undiluted consolidated earnings per share	**2022**	**2021**
Consolidated earnings in €k	367,328	370,022
Ordinary shares (number)	176,764,649	176,764,649
Weighted average of treasury shares held in the fiscal year (number)	-465,000	-492,926
Weighted average less treasury shares (number)	176,299,649	176,271,723
Undiluted consolidated earnings per share in €	**2.08**	**2.10**

Diluted consolidated earnings per share	**2022**	**2021**
Consolidated earnings in €k	367,328	370,022
Ordinary shares (number)	176,764,649	176,764,649
Weighted average of treasury shares held in the fiscal year (number)	-465,000	-492,926
Average number of shares to be included from SARs	2,280	288,590
Weighted average less treasury shares (number)	176,301,929	176,560,313
Diluted consolidated earnings per share in €	**2.08**	**2.10**

49. Dividend per share

The Annual General Meeting of 1&1 AG on 18 May 2022 agreed to the resolution proposal submitted by Management Board and Supervisory Board for the disbursement of a dividend in the amount of €0.05 per share. The dividend disbursement totalling €8.8 million was carried out on 23 May 2022.

In accordance with section 20 of the 1&1 AG charter, the General Meeting decides on the utilisation of the unappropriated retained earnings. The Management Board proposes to the Supervisory Board a dividend for financial year 2022 as follows:

- Payment of a dividend of €0.05 per share. This proposal is oriented to the minimum dividend required by section 254(1) AktG. Assuming 176.3 million shares entitled to dividends, this would result in a total disbursement of €8.8 million for financial year 2022.

Management Board and Supervisory Board discuss this dividend proposal for financial year 2022 in the Supervisory Board meeting on 29 March 2023.

Pursuant to section 71b AktG, the Company is not entitled to any rights from own stock and consequently is not entitled to a proportionate disbursement. As of the date of the signing of the consolidated financial statements, 1&1 Group holds 465,000 shares (31/12/2021: 465,000 shares) of own stock.

50. Declaration in accordance with section 161 AktG

Management Board and Supervisory Board of 1&1 AG issued the declaration required by section 161 Stock Corporation Act on 5 December 2022 and made it permanently accessible to shareholders at the Internet address www.1und1.ag.

51. Exemption from the obligation to disclose the financial statements pursuant to section 264(3) HGB

The following German subsidiaries in the legal form of a stock corporation fulfilled the conditions required pursuant to section 264(3) HGB for the exercise of the exemption provision in financial year 2022:

- 1&1 Telecommunication SE, Montabaur
- 1&1 Telecom Holding GmbH, Montabaur
- 1&1 Telecom Sales GmbH, Montabaur
- 1&1 Telecom Service Montabaur GmbH, Montabaur
- 1&1 Telecom Service Zweibrücken GmbH, Zweibrücken
- 1&1 Logistik GmbH, Montabaur
- IQ-optimize Software AG, Maintal
- 1&1 Mobilfunk GmbH, Düsseldorf
- 1&1 Towers GmbH, Düsseldorf
- Blitz 17-665 SE, Maintal
- Blitz 17-666 SE, Maintal

52. Incidents after the balance sheet date

1&1 lodged a complaint with the Federal Cartel Office on 24 February 2023. The subject of the complaint is what 1&1 considers to be ongoing obstructions in the rollout of its 5G mobile network by Vodafone GmbH. From 1&1's point of view, this delays its own network expansion; however, this does not have any significant financial impact.

Montabaur, 29 March 2023

Ralph Dommermuth	Markus Huhn	Alessandro Nava

1&1 Aktiengesellschaft

Change in intangible Assets and Fixed Assets

2022	Cost of acquisition and manufacturing				
	01/01/2022 €	Additions €	Disposals €	Transfers €	31/12/2022 €
Intangible assets					
Purchased software and licences	149,538	9,096	21,744	4,998	141,888
Rights similar to concessions	165,000	0	0	0	165,000
Own produced software	17,135	0	9	0	17,126
Spectrum	1,070,187	0	0	0	1,070,187
Trademark	56,300	0	0	0	56,300
Clientele	776,975	0	0	0	776,975
Right of use	9,282	0	0	0	9,282
Payments on account	6,185	113,104	0	-3,438	115,851
Goodwill	2,932,943	0	0	0	2,932,943
Subtotal (I)	**5,183,545**	**122,200**	**21,753**	**1,560**	**5,285,552**
Tangible assets					
Land and buildings	302	42	28	0	316
Right of use	119,918	31,415	22,646	0	128,687
Fixtures, fittings and equipment	51,267	11,147	8,014	9,956	64,356
Payments on account	16,666	116,002	947	-11,516	120,205
Subtotal (II)	**188,153**	**158,606**	**31,635**	**-1,560**	**313,564**
Total	**5,371,698**	**280,806**	**53,388**	**0**	**5,599,116**

2021	Cost of acquisition and manufacturing				
	01/01/2021 €	Additions €	Disposals €	Transfers €	31/12/2021 €
Intangible assets					
Purchased software and licences	138,536	8,537	259	2,724	149,538
Rights similar to concessions	165,000	0	0	0	165,000
Own produced software	18,262	1,411	2,532	-6	17,135
Spectrum	1,070,187	0	0	0	1,070,187
Trademark	56,300	0	0	0	56,300
Clientele	776,975	0	0	0	776,975
Right of use	9,282	0	0	0	9,282
Payments on account	3,136	5,712	0	-2,663	6,185
Goodwill	2,932,943	0	0	0	2,932,943
Subtotal (I)	**5,170,621**	**15,660**	**2,791**	**55**	**5,183,545**
Tangible assets					
Land and buildings	302	0	0	0	302
Right of use	105,899	30,145	16,126	0	119,918
Fixtures, fittings and equipment	41,870	8,756	1,630	2,271	51,267
Payments on account	6,011	12,981	0	-2,326	16,666
Subtotal (II)	**154,082**	**51,882**	**17,756**	**-55**	**188,153**
Total	**5,324,703**	**67,543**	**20,547**	**0**	**5,371,698**

Accrued amortisation					Net carrying value	
01/01/2022 €	Additions €	Disposals €	Transfers €	31/12.2022 €	31/12.2021 €	31/12/2022 €
131,063	9,678	20,512	13	120,242	18,475	21,646
49,500	33,000	0	0	82,500	115,500	82,500
6,815	3,459	10	0	10,264	10,320	6,862
0	447	0	0	447	1,070,187	1,069,740
3,100	0	0	0	3,100	53,200	53,200
448,452	92,554	0	0	541,006	328,523	235,969
2,917	1,592	0	0	4,509	6,365	4,773
13	0	0	-13	0	6,172	115,851
0	0	0	0	0	2,932,943	2,932,943
641,860	**140,730**	**20,522**	**0**	**762,068**	**4,541,685**	**4,523,484**
127	17	28	0	116	175	200
25,270	11,415	4,564	0	32,121	94,648	96,566
19,778	6,241	7,347	0	18,672	31,489	45,684
0	0	0	0	0	16,666	120,205
45,175	**17,673**	**11,939**	**0**	**50,909**	**142,978**	**262,655**
687,035	**158,403**	**32,461**	**0**	**812,977**	**4,684,663**	**4,786,139**

Accrued amortisation					Net carrying value	
01/01/2021 €	Additions €	Disposals €	Transfers €	31/12/2021 €	31/12/2020 €	31/12/2021 €
122,728	8,594	259	0	131,063	15,808	18,475
16,500	33,000	0	0	49,500	148,500	115,500
3,810	5,537	2,532	0	6,815	14,452	10,320
0	0	0	0	0	1,070,187	1,070,187
0	3,100	0	0	3,100	56,300	53,200
352,710	95,742	0	0	448,452	424,265	328,523
1,326	1,591	0	0	2,917	7,956	6,365
13	0	0	0	13	3,123	6,172
0	0	0	0	0	2,932,943	2,932,943
497,086	**147,564**	**2,791**	**0**	**641,860**	**4,673,534**	**4,541,685**
111	16	0	0	127	191	175
16,360	10,588	1,678	0	25,270	89,539	94,648
14,811	6,382	1,415	0	19,778	27,059	31,489
0	0	0	0	0	6,011	16,666
31,282	**16,986**	**3,093**	**0**	**45,175**	**122,800**	**142,978**
528,368	**164,550**	**5,884**	**0**	**687,035**	**4,796,334**	**4,684,663**

Responsibility Statement

Responsibility Statement

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

Montabaur, 29 March 2023

Ralph Dommermuth | Markus Huhn | Alessandro Nava

Independent Auditors' report

To 1&1 AG, Montabaur (formerly Maintal)

Report on the audit of the consolidated financial statements and the management report of the Company and the Group

Audit Opinions

We have audited the consolidated financial statements of 1&1 AG, Montabaur (ehemals Maintal), and its subsidiaries (the Group), which comprise the Consolidated Balance Sheet as at 31 December 2022, and the Consolidated Comprehensive Income Statement, Consolidated Change in Equity Statement and Consolidated Cash Flow Statement for the financial year from 1 January to 31 December 2022, and Consolidated Notes, including a summary of significant accounting policies. In addition, we have audited the Consolidated Management Report of 1&1 AG, which is combined with the Management Report, for the financial year from 1 January to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of those disclosures marked as unaudited in section "4.1 Risk report" of the group management 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 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and

- the accompanying Consolidated Management Report as a whole provides an appropriate view of the Group's position. In all material respects, this Consolidated 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 the disclosures in section "4.1 Risk report" referred to above.

Pursuant to § [*Article*] 322 Abs. [*paragraph*] 3 Satz [sentence] 1 HGB [*Handelsgesetzbuch: German Commercial Code*], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Consolidated Management Report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the Consolidated 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). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Consolidated 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 Consolidated Management Report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

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

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

1. Appropriateness of revenue recognition

2. Recoverability of goodwill and intangible assets not yet available for use (spectrum)

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

- Matter and issue
- Audit approach and findings
- Reference to further information

Hereinafter we present the key audit matters:

1. Appropriateness of revenue recognition

Matter and issue

In the consolidated financial statements of 1&1 AG, revenue (sales) of EUR 3,963.7 million is recognized in the consolidated statement of comprehensive income. This significant item in terms of its amount is subject to particular risk due to the complexity of the processes and controls necessary for correct recognition and deferral, the impact of ever-changing price and tariff models (including tariff structures, customer discounts, incentives), and the existence of multiple-element arrangements.

In addition, the accounting standard applicable to revenue recognition, IFRS 15 – Revenue from contracts with customers (IFRS 15), requires estimates and judgments in certain areas – such as determining the transaction price and allocating it to the performance obligations identified in a multiple-element arrangement based on the relative stand-alone selling prices – that had to be assessed for appropriateness in the context of our audit. Against this background, the accounting treatment of revenue was of particular significance in the context of our audit.

Audit approach and findings

In the knowledge that the complex nature of this matter and the need to make estimates and assumptions give rise to an increased risk of accounting misstatements, as part of our audit we began by assessing the processes and controls put in place by the Group, including the IT systems used for the purposes of revenue recognition. In particular, we assessed the IT system environment for billing and measurement, other relevant systems supporting the accounting treatment of revenue, and the billing and measurement systems right up to entries in the general ledger.

Furthermore, we evaluated the transaction prices to be determined based on contracts with customers and their allocation to the performance obligations identified in a multiple-element arrangement on the basis of the relative stand-alone selling prices, and assessed whether these obligations were satisfied over time or at a point in time. In this context, we also assessed the appropriateness of the procedure used to allocate revenue to the correct period, and the estimates and judgments made by the executive directors with respect to revenue recognition and accrual / deferral. We took account of the increased inherent risk in the case of manual entries, in particular by performing additional analytical audit procedures, for instance by means of time series analyses or by forming ratios. Furthermore, we assessed the accounting effects of new price and tariff models. We applied consistent audit procedures for the audit of the operating subsidiaries to ensure that we responded appropriately throughout the Group to the inherent audit risk relating to revenue recognition.

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 properly accounted for.

Reference to further information

The Company's disclosures relating to revenue recognition in the consolidated financial statements of 1&1 AG are contained in the sections "2.1 Explanatory comments on major accounting and valuation methods", "3. Significant discretionary decisions and estimates" and "4. Sales revenues / Segment reporting" of the notes to the consolidated financial statements as of December 31, 2022.

2. Recoverability of goodwill and intangible assets not yet available for use (spectrum)

Matter and issue

Non-current assets amounting in total to EUR 5,401.9 million are reported in the consolidated financial statements of 1&1 AG. Goodwill amounting in total to EUR 2,932.9 million (40.4% of total assets or 52.6% of equity) is reported under the "Goodwill" balance sheet item. Furthermore, intangible assets (spectrum) amounting to EUR 1,069.7 million (14.7% of total assets or 19.2% of equity) are reported under the "Intangible assets" balance sheet item that, in part, are not yet available for use and thus not subject to amortization (hereinafter "intangible assets (spectrum)").

Goodwill and intangible assets (spectrum) are tested for impairment by the Company once a year or when there are indications of impairment to determine any need for write-downs. The impairment test is carried out at the level of the respective cash-generating unit to which the goodwill or intangible assets (spectrum) are allocated. The carrying amount of the relevant cash-generating unit, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective cash-generating unit normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the respective cash-generating unit. The impairment tests on goodwill and on intangible assets (spectrum) determined that no write-downs were necessary in financial year 2022.

The outcome of the impairment tests is dependent to a large extent on the estimates made by the executive directors with respect to the future cash flows from the respective cash-generating units, the discount rate used, the rates of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuations, this matter was of particular significance in the context of our audit.

Audit approach and findings

As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash flows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In the knowledge that even relatively small changes in the discount rate applied and the growth rates can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate and the growth rates applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company. We verified that the necessary disclosures were made in the notes relating to cash-generating units for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the cash-generating units including the allocated goodwill.

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.

Reference to further information

The Company's disclosures relating to the "Goodwill" balance sheet item are contained in the sections "2.1 Explanatory comments on major accounting and valuation methods", "3. Significant discretionary decisions and estimates", "26. Intangible assets (excluding goodwill) and "27. Goodwill and impairment of goodwill and intangible assets with indeterminate useful lives as well as intangible assets currently not yet available for use (spectrum)" of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the disclosures contained in section "4.1 Risk report" of the group management report that are marked as unaudited and constitute a part of the group management report not subject to a substantive audit.

The other information comprises further

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- the separate non-financial report to comply with §§ 289b to 289e HGB and §§ 315b to 315c HGB
- the remuneration report pursuant to § 162 AktG [*Aktiengesetz: German Stock Corporation Act*] for which the supervisory board is also responsible
- 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Management Report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Consolidated 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 Consolidated 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 Consolidated 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) and supplementary compliance with the ISAs 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Management Report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other legal and regulatory requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Consolidated 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 Consolidated Management Report (hereinafter the "ESEF documents") contained in the electronic file 1und1_AG_KAuKLB_2022-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the Consolidated 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 Consolidated 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 Consolidated Management Report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Consolidated 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 Consolidated Management Report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

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

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the Consolidated 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 Consolidated 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 18 May 2022. We were engaged by the supervisory board on 11 January 2023. We have been the group auditor of the 1&1 AG, Montabaur (formerly Maintal), without interruption since the financial year 2022.

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 auditors' report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited Consolidated Management Report as well as the assured ESEF documents. The consolidated financial statements and the Consolidated Management Report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited Consolidated 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 Consolidated 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 Erik Hönig.

Düsseldorf, 29 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Bigdeli	Hönig
German Public Auditor	German Public Auditor

Remuneration Report

The following Remuneration Report explains the principles of the remuneration system for members of the Management Board and Supervisory Board of 1&1 AG and describes the amount and structure of remuneration for members of the Company's executive bodies for fiscal year 2022. The report is based on the requirements of section 162 of the German Stock Corporation Act (AktG), which has been mandatory since fiscal year 2021.

The Report comprises two parts:

- The first part presents the remuneration system for members of the Management Board and Supervisory Board, as approved and adopted by the Company's Annual Shareholders' Meeting of May 26, 2021 and is applicable for the financial year 2022..

- The second part, from page 14 onward, contains the actual Remuneration Report for the Management Board and Supervisory Board and complies with the requirements of section 162 AktG.

For reasons of better readability, the additional use of the female form is omitted in this report. 1&1 would like to stress that the use of the masculine form is to be understood purely as the gender-neutral form.

Due to calculation processes, tables and references may produce rounding differences from the mathematically exact values (monetary units, percentage statements, etc.).

The Remuneration Report for the financial year 2021 was prepared for the first time in accordance with section 162 of the German Stock Corporation Act (AktG) and was audited by the auditors in accordance with § 162 (3) sentences 1 and 2 AktG. The com-pensation report was approved by the Annual General Meeting on 18 May 2022, with a majority of 95.9 percent

In our discussions with investors, we received very positive feedback on the structure and transparency of the compensation report. of the Remuneration Report and there were no comments or suggestions for improvement in this regard.

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1&1 AG Remuneration System

Management Board Remuneration

The 1&1 AG Supervisory Board presented the current remuneration system for Management Board members during the Annual General Meeting on 26 May 2021 and requested its approval. The remuneration system was adopted by 92.82 percent of the votes cast.

Management Board Remuneration System

Introduction

The 1&1 AG remuneration system described below sets forth the basic principles for the conclusion of new Management Board service contracts as of the Annual General Meeting 2021. It does not have any impact on service contracts concluded prior to that time, however, these contracts essentially comply with the requirements of the remuneration system.

The remuneration for members of the Company's Management Board is oriented toward sustainable and long-term corporate development. Management Board members should be remunerated reasonably and as appropriate for their responsibilities and duties. The economic situation, the Company's success, the personal performance of each Management Board member, the interests of persons associated with the Company and social issues must be taken into account for the assessment of the remuneration. The remuneration should create an incentive to be successful with respect to all these perspectives. Success should be targeted as a long-term achievement, which is why the remuneration must not encourage the taking of short-term risks.

Remuneration system, procedures, comparative groups and remuneration structure

The Supervisory Board establishes and regularly reviews the Management Board remuneration system in compliance with legal requirements. The system is in compliance with the regulations of the Stock Corporation Act (AktG) and the German Corporate Governance Code (DCGK) applicable to the handling of conflicts of interest. The remuneration of the individual Management Board members is calculated on the basis of the remuneration system.

The individual total remuneration ("target total remuneration") of a Management Board member is determined by the Supervisory Board at a level appropriate to performance assessment and expectation. Criteria for the appropriateness of an individual's remuneration are the tasks of the specific Management Board member, the performance of the Management Board as a whole, the personal performance of the Management Board member and his or her experience, the economic position of the Company, the success and future prospects of the Company and the customary level of remuneration in view of comparative data from other companies and from within the Company. The internal (vertical) comparison is realised by the Supervisory Board's consideration of the relationship of the Management Board remuneration to the remuneration of the Company's senior management and workforce, including its affiliated companies, and the development of this relationship over time. The external (horizontal) comparison is based on data from companies regarded as operating in comparable industries and / or that are listed on the TecDAX and comparable with the Company in terms of market position, revenue and number of employees. When comparing the data from various sources, the Supervisory Board consults inter alia the findings of independent providers of remuneration studies and the published business and remuneration reports of comparable companies; furthermore, it obtains support from experienced and independent remuneration consultants. The Supervisory Board also makes these comparisons when determining the structure of the remuneration system as a whole.

The total remuneration of the Company's Management Board members consists of (i) a fixed, non-performance-related basic salary, (ii) fringe benefits and (iii) a variable, performance-related component. The variable component in turn consists of short-term and long-term components. The remuneration system provides bandwidths and limits within which the Supervisory Board moves in making the concrete assessments of each of the remuneration components and in determining the final total remuneration that includes the variable component.

Overview of the remuneration structure

Non-performance-related remuneration components	
Basic remuneration	Fixed salary, paid monthly
Fringe benefits / other remuneration	Insurance cover (D&O etc.); company car; housing, relocation, brokerage, home travel and tax accountant expenses to a certain extent; special allowances and signing bonus, if applicable

Performance-related remuneration components	
Short-term variable remuneration (STI)	Based on the achievement of certain targets (revenue and earnings ratios; operational / strategic aspects; personal performance; non-financial performance criteria (ESG))
Long-term variable remuneration (LTI)	Participation in the SAR programme; participation in the increase in value of the Company's stock; 5-year term

The total remuneration includes compensation for activities for and board positions in companies affiliated with the Company, associated companies and holding companies.

Insofar as any such positions have been assumed, any remuneration paid for these activities (e.g. attendance fees) is generally offset against the total remuneration and – taking into account tax requirements – is usually deducted from the short-term variable remuneration that must be paid. The Supervisory Board may conclude deviating agreements concerning the remuneration for official positions in associated companies and holding companies with the pertinent Management Board member.

Remuneration and business strategy / Long-term development of the Company

The remuneration of the members of the Company's Management Board promotes its business strategy in multiple ways.

- The structure of the short-term variable remuneration provides for the setting of targets in agreement with the members of the Management Board that, for one, secure economic success through the achievement of certain key figures. For another, individual targets, which may also include concrete strategic targets, are agreed. The inclusion of target criteria with environmental and social aspects is also intended to reward social successes.

- The long-term variable remuneration with its orientation to the stock price and its term of several years ensures that there is an incentive for sustainable economic success. Moreover, the interests of the Company and its shareholders are linked to those of the Management Board in the long term. Every member of the Management Board participates in the sustainable success of the Company, but must also shoulder economically negative developments together with the Company. This bonus / malus system prompts Board members to act as entrepreneurs and to pursue the interest of the Company from a long-term perspective.

Non-performance-related remuneration components

Fixed remuneration

The fixed remuneration serves as a guaranteed basic remuneration and is paid monthly as a salary. The fixed remuneration is reviewed at regular intervals and adjusted as expedient. Every review includes a comparison with in-company structures and figures from other companies.

Fringe benefits / Other remuneration

The following fringe benefits are offered as standard:

- D&O and accident insurance cover

- Company car with private use option (alternatively, a car allowance or a BahnCard)

In addition, the following fringe benefits may be granted as part of the "onboarding" of new Management Board members:

- Assumption of reasonable relocation and / or estate agent expenses

- Assumption of local housing costs (e.g. as an allowance for costs of two households) for a reasonable period of time

- Payment of a monthly allowance in line with the market for travel to home / family (return journey) for a reasonable period of time

- Assumption of standard market tax accountant expenses relevant for the establishment of the employment relationship

- Assumption of standard market tax accountant expenses for special matters (e.g. matters involving foreign countries) in the current employment relationship

In addition, the Supervisory Board may grant a signing bonus to new Management Board members when they transfer from another employment relationship; the bonus serves to compensate lost remuneration from the previous employment relationship. The amount of the signing bonus must in any case be offset against any payment claims from the long-term variable remuneration. Should the Management Board member leave the Company at his / her request before the signing bonus has been fully credited, the Management Board member must repay the outstanding amount of the signing bonus to the Company. In these cases, the Supervisory Board is permitted to conclude an agreement with the Management Board member according to which the amount to be repaid is reduced pro rata temporis over a longer period of time, whereby the period of time should be less than 24 months after commencing work for the Company solely in justified exceptional cases.

In addition, in justified exceptional cases – e.g. if a member of the Management Board assumes further division responsibilities in addition to his / her actual division responsibilities (e.g. due to illness or absence of a fellow Management Board member or a reassignment of divisions) – a reasonable increase in the fixed remuneration appropriate to the change is also permissible.

Retirement benefits are not granted.

Performance-related remuneration components

Short-term variable incentive (short-term incentive: "STI")

In addition to the basic remuneration, every Management Board member receives an STI; the payment period corresponds to the fiscal year of the specific company. A target figure for the STI is set that is earned if the agreed targets are met in full on average (= 100 percent). The targets are set by the Supervisory Board at the beginning of every fiscal year. Possible targets:

STI Targets	Proportion of STI (Minimum / Maximum)
Growth in sales and earnings ratios (such as EBITDA) and capital efficiency ratios (such as ROI) of the 1&1 Group	50 % - 70 %
Operational / strategic goals (e.g. business development, efficiency increase, market exploitation)	5 % - 20 %
Personal performance targets (e.g. responsibility for specific projects; achievement of individual / divisional performance indicators)	5 % - 20 %
Non-financial performance criteria such as concerns of groups connected with the Company (so-called stakeholders), environmental and social issues ("ESG elements")	5 % - 20 %

The Supervisory Board may deviate from the above-mentioned recommended proportions for the weighting of the separate targets.

The various categories enable the Company to create optimal alignment of the short-term variable remuneration with its interests.

- Revenue (growth) and earnings (especially EBITDA) of the 1&1 Group are the key criteria for assessing its economic success in the past fiscal year. For this reason, this category should comprise the largest proportion among the STI targets. This is in recognition of the commitment and contribution of the individual Board member to the benefit of the Company and the corporate group. Lack of economic success has a direct negative impact on the remuneration of the Board member.

- Operational and strategic goals, on the other hand, set specific incentives for the achievement of certain short-term parameters or the implementation of measures, and can more accurately reflect certain operational and strategic decisions than the revenue and profit of the corporate group. These targets should be set for the Management Board as a whole.

- Personal performance targets can be set for each individual Management Board member, thereby creating an incentive for the successful completion of certain projects for which the specific Management Board member is responsible, the solving of individual division-related challenges and the achievement of certain division-specific key figures (e.g. customer satisfaction).

- ESG elements are mandatory and, in contrast to the previous categories, primarily serve the interests of groups associated with the Company and environmental objectives. This target component gives the Supervisory Board the opportunity to focus the attention of the Board members on social issues and to create an incentive to address such issues. The scope of possible topics for these targets is broad because of the diversity of interests that might come into question. In setting targets, the Supervisory Board should consequently respond dynamically to social and environmental challenges. The ESG elements are not limited to issues outside the corporate group; they should also serve to master parallel challenges within the Company and its associated companies (e.g. diversity).

As a rule, a range of 90 percent to 120 percent applies to target achievement. If the average achievement of the targets is less than 90 percent, the entitlement to payment of the STI lapses completely. If average achievement of the targets overall is greater than 120 percent, the overachievement is capped at 120 percent of the STI target. In the year of a member's hiring, especially in stub periods, the Supervisory Board can guarantee a minimum amount of STI for the first six to twelve months of the term of office to the Management Board member. A part of this minimum amount may also be paid to the Management Board member on a monthly basis.

The Supervisory Board discusses and determines the assessment of the degree of achievement of the STI in a meeting after the adoption of the annual financial statements for the 1&1 Group. The Supervisory Board prepares this meeting together with the Management Board members and the competent departments so that the governing body has access to the complete information necessary for an assessment and, if necessary, to additional expertise.

The revenue and earnings category is based on the key figures determined by Corporate Finance. Revenue and profit targets are part of the forecast and the target / actual comparison is based on the audited annual financial statements.

The Supervisory Board determines the degree of achievement of the operational and strategic targets by evaluating the concepts submitted by the Management Board and any other materials that may be required. The achievement of personal performance targets is also determined by the Supervisory Board on the basis of documents submitted by the Management Board (and any additional external expertise that may be required). The Supervisory Board takes into account the defined key figures and success criteria in determining the target achievement of ESG elements.

After the conclusion of this Supervisory Board meeting, the STI will be paid out with the following salary payment round unless further circumstances must still be examined.

Long-term variable remuneration (long term incentive: "LTI")

A programme based on virtual stock options (Stock Appreciation Rights ("SAR") programme) serves as an LTI. An SAR corresponds to a virtual subscription right to a share in the Company, i.e. it does not represent a (real) option to acquire shares in the Company. However, the Company reserves the right at its own discretion to fulfil its obligation to pay out the SARs in cash by instead transferring one share per SAR from its treasury stock to the participant at the exercise price.

SAR programme of 1&1 AG

Subject	Participation in the increase in value of the 1&1 AG stock
Systematics	Issue of a number of SARs that can be exercised in a specified scope at specified points in time. Vesting takes place in four steps: 1. 25% of the SARs exercisable for the first time after two years 2. Another 25% of the SARs exercisable for the first time after three years 3. Another 25% of the SARs exercisable for the first time after four years 4. The remaining 25% of the SARs exercisable for the first time after five years.
Term / Fulfilment	Term: 5 years. Full vesting of all SARs after five years. The vested shares must be exercised no later than six years after the start of the programme; payment entitlement in cash or shares at the Company's discretion.
Calculation parameters	Difference between the initial price (closing price of the share when issued) and the closing price of the share when the SARs are exercised (arithmetic mean of the last ten trading days in each case).
Restrictions	- Waiting period of two years - Two exercise windows per year - Exercise of previously awarded SARs only - Exercise hurdle: exercisability of a vested SAR solely if at the time of exercise there has been a price increase of at least 20% on the initial price
Cap	100% of the initial price

The number of SARs issued to a member of the Management Board (on average per year of the programme) is based on the intended total remuneration for that Management Board member, assuming that the internal forecasts for the development of the stock are achieved. Taking into account the requirements of the remuneration system, in particular the maximum remuneration, it is also possible to conclude another SAR agreement during the term of an SAR agreement.

Since the value development of the SARs is linked directly to the performance of the Company's stock price and vesting takes place over a total period of five years, the SAR programme creates an incentive to influence positively the Company's long-term performance in the interest of the shareholders. At the same time, the Management Board member not only participates in a positive development of the Company, but is also affected by a negative development of the stock price because of the exercise hurdle and the calculation of the amount that is paid out. As the SAR programme has proven its value as a remuneration component to tie the Management Board members to the successful sustainable development of the Company's stock price, it should be retained unchanged.

Maximum remuneration

The maximum remuneration that an ordinary member of the Management Board can receive arithmetically from the sum of all remuneration components, i.e. basic salary, STI, LTI (remuneration from SAR programme / term in years) and fringe benefits, may not amount to a total gross sum higher than €3.5 million euros p.a. (maximum remuneration).

The maximum remuneration for the Management Board chairperson may be a maximum of twice the maximum remuneration for an ordinary member of the Management Board.

The maximum remuneration is not a target total remuneration for the Management Board members deemed appropriate by the Supervisory Board, but solely an absolute upper limit that may not be exceeded under any circumstances. Should the payment of the LTI result in the maximum remuneration being exceeded, the entitlement from the LTI for the year in question in excess of the amount of the maximum remuneration will be forfeited. When payments are made on the basis of the LTI, however, the term of the LTI must be taken into account in each case when calculating the maximum remuneration. Payments from the programme must be distributed evenly over the years of the programme's term when assessing compliance with the annual maximum remuneration.

Ratio of fixed remuneration, STI and LTI and measurement of individual total remuneration

The following framework applies to the ratio of the separate remuneration components to the individual total target remuneration:

Relative proportion of separate remuneration elements in total individual remuneration (calculated p. a.)		Absolute proportion of separate remuneration elements in total individual remuneration (calculated p. a.)
Fixed remuneration:	20 % to 40 %	€400,000 to €800,000
STI (target amount):	10 % to 30 %	€200,000 to €800,000
LTI (target amount p.a.):	40 % to 70 %	€400,000 to €2,250,000

The individual total target remuneration is determined by the Supervisory Board with regard to

- the duties of the Management Board member,
- his / her responsibility in the Company,
- his / her experience,
- the question of whether the Management Board member has been appointed chairperson of the Management Board, and
- the internal / vertical and external / horizontal comparison

and, at the same time, it must be ensured that the proportion of variable, performance-based remuneration (STI and LTI) together must amount to at least 60 percent of the target total remuneration.

Pension commitments / insurance

The Company maintains a D&O insurance policy as well as group accident and travel insurance policies. During the performance of their activities, the members of the Management Board are also included in these framework agreements. Should additional insurance policies valid throughout the Group be taken out, these will also cover all members of the Company's Management Board.

A company pension scheme is offered exclusively on the basis of deferred compensation. A pension scheme financed by the Company is not provided unless the Company is obligated to do so by law.

The Company pays to each member of the Management Board contributions to health and long-term care insurance that as a maximum correspond to the employer's contributions that would be incurred for mandatorily insured employees. Should a member of the Management Board decide to join voluntarily the statutory pension scheme or to be insured under the statutory pension scheme upon joining the Company, the Company will also pay the related contributions up to a maximum of the employer's contributions that would be incurred by mandatorily insured employees.

In addition, in the event that the Management Board member is prevented from working because of illness, the Company will continue to pay the remuneration for a period of six months, offsetting any and all benefits paid to the Management Board member by a statutory or private health insurance for the loss of earnings.

Remuneration-related legal transactions and severance payment regu-lations / Post-contractual non-competition clauses / Claw-back clause / Extraordinary developments / Change of control regulations

Remuneration-related legal transactions and severance arrangements

The term of the service contracts of the Management Board members is linked to their term of office. If the appointment of a member of the Management Board is revoked, the service contract also terminates. If the revocation is not based on good cause within the sense of Section 626 BGB, the employment contract does not end until a period of 12 months or the original term of office has expired, whichever happens first. Entitlements to payment of severance compensation in the event of resignation are not granted to the Management Board members. In all other respects, the Company observes the requirements of the DCGK for payments in the event of premature termination of the activity. According to the Code, payments to a Management

Board member in the event of premature termination of Management Board activities should not exceed the value of two years' remuneration and should not remunerate the member for a period longer than the remaining term of the service contract. If and when there is a post-contractual prohibition of competition, any severance payments will also be offset against the waiting period compensation.

Post-contractual non-competition clause

The Management Board contracts contain a post-contractual non-competition clause with a term of up to one year. Unless the non-competition clause is waived by the Supervisory Board, the Management Board member is entitled to waiting period compensation in the amount of 75 percent to 100 percent of the last fixed remuneration he / she received. The Management Board member must accept the offset in full of any other income from a new activity against the waiting period compensation.

Claw-back clause

Employment contracts also contain a so-called "claw-back" clause that can be invoked to request reimbursement, in whole or in part, of any short-term variable remuneration granted to the Management Board member if and when it is determined that the necessary prerequisites for the payment were in actual fact not fulfilled (e.g. manipulated or incorrectly calculated key figures). Similar provisions for long-term variable remuneration have been included in the contracts. These provisions are without prejudice to claims for damages and claims for unjustified enrichment.

Extraordinary developments

The Supervisory Board will take extraordinary developments into account when measuring the achievement of the STI target. There may be a need for corrections, especially in the economic key figures, due to special influences. In addition, the Supervisory Board can counteract extraordinarily bad developments on the basis of Section 87(2) AktG. In such cases, it may reduce the remuneration of the Management Board members to an appropriate amount if the Company's position after the determination of the remuneration deteriorates to such a degree that the further granting of the remuneration without any changes would be inequitable for the Company.

Change of control regulations

Commitments for benefits in the event of premature termination of the employment contract by the Management Board member consequent to a change of control have not been agreed.

Supervisory Board Remuneration

The 1&1 AG Supervisory Board presented the current remuneration system for Supervisory Board members during the Annual General Meeting on 26 May 2021 and requested a resolution for its adoption. The remuneration system was approved by 99.95 percent of the votes cast and applies from fiscal year 2021.

Remuneration system of the Supervisory Board

The system for the remuneration of Supervisory Board members is based on legal statutes and takes into account the requirements of the German Corporate Governance Code.

The Supervisory Board members receive a fixed remuneration plus an attendance fee without any variable or stock-based remuneration. The granting of fixed remuneration corresponds to the common predominant practice in other listed companies and has proved its value. The Management Board and the Supervisory Board are of the opinion that a fixed remuneration of the Supervisory Board members is best suited to strengthen the independence of the Supervisory Board and to take into account the advisory and supervisory function of the Supervisory Board that must be fulfilled independently of the Company's success. The suggestion G.18 first sentence of the DCGK also provides for fixed remuneration of the Supervisory Board members.

- The Supervisory Board members receive a fixed annual remuneration of €45k. In accordance with recommendation G.17 DCGK, the remuneration for the Supervisory Board chairman and the deputy Supervisory Board chairman is higher to compensate for the greater time requirements associated with these positions. The fixed annual remuneration for the Supervisory Board chairman is €55k; the remuneration for the deputy chairman is €50k. Also in accordance with recommendation G.17 DCGK, the chairman of the Audit and Risk Committee receives an additional €20k per year; every other member of the Audit and Risk Committee receives an additional €15k per year. The Company must support the members of the Audit and Risk Committee in obtaining any necessary advanced training and education and must also assume any costs incurred for these measures in a reasonable scope.

- In addition to the aforementioned remuneration, the chairman of the Audit and Risk Committee receives further remuneration of as much as €15k per fiscal year that may be used for the engagement of accountants and / or tax accountants whose support the chairman requires in the performance of his duties as chairman of the Audit and Risk Committee and that cannot be provided on a priority basis through the resources and consulting opportunities available to the Company.

- Remuneration for Supervisory Board members who have been members of the Supervisory Board or the Audit and Risk Committee for only part of a fiscal year receive remuneration calculated pro rata temporis for each month or part thereof of their membership.

- Every member of the Supervisory Board also receives an attendance fee of €1,000 for each participation in in-person meetings of the Supervisory Board. Insofar as meetings of the Supervisory Board do not take place in-person, but only virtually (if a meeting takes place only by telephone or only by video conference), the members of the Supervisory Board do not receive any attendance fee if the meeting did not last longer than one hour; half of the attendance fee if the meeting lasted longer than one hour, but less than two hours; and the full attendance fee if the meeting lasted two hours or more. Members who do not personally attend in-person meetings of the Supervisory Board (such as participation by telephone or video conference) always receive only 25 percent of the attendance fee; participation solely in the form of submission of a voting message does not give rise to any entitlement to an attendance fee. No attendance fee is paid for participation in meetings of the Audit and Risk Committee. Participation in meetings of the Audit and Risk Committee is compensated by the additional annual remuneration.

The total remuneration is due after the end of the fiscal year. Out-of-pocket expenses are reimbursed immediately. In addition, the members of the Supervisory Board are reimbursed for value-added tax.

Remuneration Report of 1&1 AG

Remuneration of 1&1 AG board members in fiscal year 2022

There were three members of the 1&1 AG Management Board in fiscal year 2022:

Members of the Management Board per 31 December 2022

- Ralph Dommermuth, Company founder and Chief Executive Officer (CEO) (with the Company since 1988)
- Markus Huhn (CFO)
- Alessandro Nava (COO)

The 1&1 AG remuneration system approved by the Annual General Meeting of 26 May 2021 sets forth the basic principles for the conclusion of new Management Board service contracts as of the Annual General Meeting 2021. The service contracts with the Management Board members Ralph Dommermuth, Markus Huhn and Alessandro Nava that were already in place at that time ("legacy contracts") are not governed by these requirements, but they are nevertheless compliant with the requirements of the remuneration system in their essential elements. Any deviations are explained in the pertinent sections.

As stipulated in the 1&1 AG remuneration system, the members of the Company's Management Board receive total remuneration consisting of a fixed, non-performance-related basic or fixed salary, fringe benefits and a variable, performance-related component. The variable component in turn consists of a short-term (STI) and a long-term (LTI) component.

One exception is the Management Board chairman, Mr Ralph Dommermuth, who, in consultation with the Supervisory Board, has waived his right to Management Board remuneration.

The following framework applies to the ratio of the separate remuneration components to the individual target total remuneration in accordance with the 1&1 AG remuneration system:

Relative proportion of separate remuneration elements in total individual remuneration (calculated p. a.)		**Absolute proportion of separate remuneration elements in total individual remuneration (calculated p. a.)**
Fixed remuneration:	20 % to 40 %	€400,000 to €800,000
STI (target amount):	10 % to 30 %	€200,000 to €800,000
LTI (target amount p.a.):	40 % to 70 %	€400,000 to €2,250,000

Pursuant to the remuneration system, there must be provisions ensuring that the proportion of variable, performance-based remuneration (STI and LTI) together amount to a minimum of 60 percent of the target total remuneration. Such a provision is not included in the current legacy contracts of Mr Huhn and Mr Nava.

When payments are made on the basis of an LTI programme, the term of each LTI must be taken into account when calculating the relative proportion of separate remuneration components. Accordingly, payments from such programmes must be distributed evenly over the years of the term when assessing the relative proportion.

Individual remuneration of the Management Board members

The table below shows the remuneration granted and owed individually to the Management Board members. The various remuneration components are disclosed according to the following principles:

- Basic remuneration and fringe benefits are disclosed as "granted" in the fiscal year in which the activity / service on which the remuneration is based was fully performed, regardless of the time of inflow or payment.

- The same procedure applies to the short-term variable remuneration (STI). The STIs are also disclosed as "granted" in the fiscal year in which the activity / service on which the remuneration is based was fully performed, regardless of the time of inflow or payment.

- The long-term variable remuneration (LTI) is disclosed as "granted" in the fiscal year in which the conversion rights for stock appreciation rights (SARs) are exercised, within the framework of the defined exercise dates and exercise scope and subject to the achievement of the defined exercise hurdles / targets.

In accordance with the aforementioned principles, 1&1 does not disclose any owed remuneration.

Remuneration granted in the pertinent reporting year

	Year	Basic remuneration (Fix)		Variable remuneration (Var)		Total	Proportion Fix / Var
in €k		Fixed salary	Fringe benefits	STI	LTI		
Ralph Dommermuth (CEO) Since 1988	2022	0	0	0	0	0	-
	2021	0	0	0	0	0	-
Markus Huhn (CFO)	2022	500	6	98	0	604	84 % / 16 %
	2021	550	11	51	0	612	92 % / 8 %
Alessandro Nava (COO)	2022	500	14	197	0	711	72 % / 28 %
	2021	500	14	205	0	719	71 % / 29 %
Total	**2022**	**1,000**	**20**	**295**	0	**1,315**	**78 % / 22 %**
	2021	**1,050**	**25**	**256**	0	**1,331**	**81 % / 19 %**

Remuneration components in detail

Non-performance-related remuneration components

Fixed salary

The members of the Management Board receive a fixed salary that is paid monthly in twelve equal instalments.

Fringe benefits

The fringe benefits usually consist of a company car appropriate to the position, the non-cash benefit of which is taxable.

Performance-related remuneration components

The performance-related variable remuneration components serve to promote the short- and long-term development of the Company.

STI

The structure of the short-term variable remuneration (STI) provides for the setting of targets in agreement with the members of the Management Board that, for one, secure economic success through the achievement of certain key figures. For another, individual targets, which may also include concrete strategic targets, are agreed. The inclusion of target criteria with environmental and social aspects is also intended to reward social successes.

The amount of the short-term variable remuneration depends on the achievement of specific targets established at the beginning of the fiscal year. A target figure (target amount) for the short-term variable remuneration is set that is achieved if the agreed targets are met in full on average (= 100 percent). The targets are set by the Supervisory Board at the beginning of every fiscal year. As a rule, a range of 90 percent to 120 percent applies to target achievement. If the average achievement of the targets is less than 90 percent, the entitlement to payment of the STI lapses completely. If average achievement of the targets overall is greater than 120 percent, the overachievement is capped at 120 percent of the STI target. In the year of a member's hiring, especially in stub periods, the Supervisory Board can guarantee a minimum amount of STI for the first six to twelve months of the term of office to the Management Board member. A part of this minimum amount may also be paid to the Management Board member on a monthly basis.

Mr Huhn's target amount for short-term variable remuneration was €100k p.a. in fiscal year 2022.

Mr Nava's target amount for short-term variable remuneration was €200k p.a. in fiscal year 2022.

The following STI targets have been set for Mr Huhn and Mr Nava for fiscal year 2022:

STI Targets		**Proportion of STI for Markus Huhn**	**Proportion of STI for Alessandro Nava**
Financial target I	Increase of Group's service revenues to €3,226m	24 %	24 %
Financial target II	Increase in Group operating EBITDA to €673m	24 %	24 %
Operative / strategic target I	Net contract growth of 650,000 contracts	14 %	14 %
Operative / strategic target II	Customer value	18 %	18 %
Personal target Markus Huhn	Development of relevant fields of action in the HR department, elaboration and implementation of measures for the purpose of improving employee satisfaction, optimizing the recruiting process and enhancing leadership qualities among employees.	10 %	
Personal target Alessandro Nava	Conclusion of the FTTH product agreement with Deutsche Telekom, thereby expanding the 1&1 Group's FTTH footprint.		10 %
ESG target	Creation of structural prerequisites for independent sustainability management within the 1&1 Group, in particular development of a Group-wide structural concept for optimal strategic implementation and coordination on sustainability initiatives.	10 %	10 %
Total		**100 %**	**100 %**

Target achievement was 98.4 percent for Financial Target I (service revenue 2022 = €3,175 million), 103.0 percent for Financial Target II (operating EBITDA = €693.3 million), 92.3 percent for Operative / Strategic Target I (operating customer growth = 600,000) and 95.0 percent for the target Customer Value. The target achievement for the personal targets were 100.0 percent for Mr Markus Huhn as well as for Mr Alessandro Nava. The achievement for the ESG target was also 100.0 percent.

In total the target achievements resulted in a mean target achievement of 98.3 percent and a total of €98.3k to be paid out to Mr Markus Huhn and €196.6k to Mr Alessandro Nava.

LTI

There is a participation programme based on virtual stock options (Stock Appreciation Rights ("SAR") programme) that acts as a remuneration component with a long-term incentive effect (LTI). An SAR corresponds to a virtual subscription right to a share in the Company, i.e. it does not represent a (real) option to acquire shares in the Company. However, the Company reserves the right at its own discretion to fulfil its obligation to pay out the SARs in cash by instead transferring one share per SAR from its treasury stock to the participant at the exercise price. The exercise threshold of the programme is 120 percent of the exercise price. The payment of the value increase is limited to 100 percent of the stock exchange price determined at the time the virtual options were awarded.

The option right can be exercised for a partial amount of up to 25 percent at the earliest upon expiration of 24 months from the point in time of the awarding of the option; for a partial amount totalling up to 50 percent at the earliest 36 months from the point in time of the awarding of the option; for a partial amount totalling up to 75 percent at the earliest 48 months from the point in time of the awarding of the option; and for the full amount at the earliest upon the expiration of 60 months after the point in time of the awarding of the option.

The number of SARs issued to a member of the Management Board (on average per year of the programme) is based on the intended total remuneration for that Management Board member, assuming that the internal forecasts for the development of the stock are achieved. Taking into account the requirements of the remuneration system, in particular the maximum remuneration, it is also possible to conclude another SAR agreement during the term of an SAR agreement.

Since the value development of the SARs is linked directly to the performance of the Company's stock price and vesting takes place over a total period of five years, the SAR programme creates an incentive to influence positively the Company's long-term performance in the interest of the shareholders. At the same time, the Management Board member not only participates in a positive development of the Company, but is also affected by a negative development of the stock price because of the exercise hurdle and the calculation of the amount that is paid out.

As the SAR programme has proven its value as a remuneration component to tie the Management Board members to the successful sustainable development of the Company's stock price, it was retained unchanged as part of the new remuneration system.

Mr Markus Huhn received a total of 360,000 SARs from the 2020 SAR tranche in fiscal year 2020. The issue price was €19.07 per option. The average market value per option was €3.64. The total value of the stock-based remuneration awarded in 2020 amounted to €1,310k.

Mr Alessandro Nava received a total of 600,000 SARs from the 2020 SAR tranche in fiscal year 2020. The issue price was €19,07 per option. The average market value per option was €3.64. The total value of the stock-based remuneration awarded in 2020 amounted to €2,184k.

No new options were awarded, no options were exercised and no SARs lapsed in fiscal year 2022.

SAR Tranche 2020	Number of SARs per 31/12/2021	Awarded in 2022	Exercised in 2022	Expired in 2022	Number of SARs per 31/12/2022
Markus Huhn	360,000	0	0	0	360,000
Alessandro Nava	600,000	0	0	0	600,000

There are no company-financed pension commitments to Management Board members or other remuneration components. No remuneration is paid to Management Board members for Supervisory Board positions at subsidiaries, nor were any benefits promised or granted by a third party to any Management Board member related to his / her activities as a Management Board member in the fiscal year. No advances or loans were granted to the Management Board members.

Claw-back clause

The remuneration system provides that "new employment contracts" should also include a so-called claw-back clause that can be invoked to request reimbursement, in whole or in part, of any short-term variable remuneration granted to the Management Board member if and when it is determined that the necessary prerequisites for the payment were in actual fact not fulfilled (e.g. manipulated or incorrectly calculated key figures). Similar provisions for long-term variable remuneration should be included in the contracts. These provisions are without prejudice to claims for damages and claims for unjustified enrichment.

There are no claw-back clauses in the current legacy contracts of the 1&1 Management Board members. However, there were also no grounds for 1&1 AG to request reimbursement or reduce variable remuneration in fiscal year 2022.

Remuneration-related legal transactions and severance arrangements

The term of the service contracts of the Management Board members is linked to their term of office. If the appointment of a member of the Management Board is revoked, the service contract also terminates. If the revocation is not based on good cause within the sense of Section 626 BGB, the employment contract does not end until a period of 12 months or the original term of office has expired, whichever happens first. Entitlements to payment of severance compensation in the event of resignation are not granted to the Management

Board members. In all other respects, the Company observes the requirements of the DCGK for payments in the event of premature termination of the activity. According to the Code, payments to a Management Board member in the event of premature termination of Management Board activities should not exceed the value of two years' remuneration and should not remunerate the member for a period longer than the remaining term of the service contract. According to the remuneration system, if and when there is a post-contractual non-competition clause, any severance payment should also be offset against the waiting period compensation. Such a provision is not included in the current legacy contracts of the 1&1 Management Board.

There were no changes to these regulations in fiscal year 2022.

Post-contractual non-competition clause

The Management Board contracts contain a post-contractual non-competition clause with a term of up to one year. Unless the non-competition clause is waived by the Supervisory Board, the Management Board member is entitled to waiting period compensation in the amount of 75 percent to 100 percent of the last fixed remuneration he / she received. The Management Board member must accept the offset in full of any other income from a new activity against the waiting period compensation.

There were no changes to these regulations in fiscal year 2022.

Change of control regulations

Commitments for benefits in the event of premature termination of the employment contract by the Management Board member consequent to a change of control have not been agreed.

There were no changes to these regulations in fiscal year 2022.

Maximum remuneration

In accordance with the 1&1 remuneration system, the maximum remuneration that an ordinary Management Board member may receive arithmetically from the sum of all remuneration components, i.e. basic salary, STI, LTI (remuneration from SAR programme / term in years) and fringe benefits, may not amount to a total sum higher than €3.5 million euros p.a. (maximum remuneration).

The maximum remuneration for the Management Board chairperson may be a maximum of twice the maximum remuneration for an ordinary member of the Management Board.

The maximum remuneration is not a target total remuneration for the Management Board members deemed appropriate by the Supervisory Board, but solely an absolute upper limit that may not be exceeded under any circumstances. Should the payment of the LTI result in the maximum remuneration being exceeded, the entitlement from the LTI for the year in question in excess of the amount of the maximum remuneration will be forfeited. When payments are made on the basis of the LTI, however, the term of the LTI must be taken into account in each case when calculating the maximum remuneration. Payments from the programme must be distributed evenly over the years of the programme's term when assessing compliance with the annual maximum remuneration.

Both the STI and the LTI have an "upper limit" (cap) to ensure compliance with the maximum remuneration.

The current legacy contracts of the 1&1 Management Board members do not contain any limits for maximum remuneration, but they do contain "upper limits" for the STI and the LTI. The maximum remuneration (granted remuneration) was not reached in fiscal year 2022.

Remuneration of the Supervisory Board Members in Fiscal Year 2022

The members of the 1&1 AG Supervisory Board in fiscal year 2022 were as follows:

Supervisory Board members per 31 December 2022

- **Kurt Dobitsch**, Supervisory Board Chairman (since 16 October 2017; Supervisory Board chairman since 16 March 2021; member of "Audit and Risk Committee" since May 2021)
- **Kai-Uwe Ricke**, Supervisory Board Deputy Chairman (since 16 October 2017; deputy chairman since 13 November 2017)
- **Matthias Baldermann** (since 26 May 2021)
- **Dr Claudia Borgas-Herold** (since 12 January 2018; member "Audit and Risk Committee" since May 2021)
- **Vlasios Choulidis** (since 12 January 2018)
- **Norbert Lang** (since 12 November 2015; chairman "Audit and Risk Committee" since May 2021)

In accordance with the resolution of the Annual General Meeting, every member of the Supervisory Board receives a fixed remuneration of €45k per fiscal year. The Supervisory Board chairman receives €55k, and the deputy chairman receives €50. Supervisory Board members who belong to the Supervisory Board or act as Supervisory Board chairperson or deputy chairperson for only part of the fiscal year receive the fixed remuneration pro rata temporis, rounded up to full months.

Every member of the Supervisory Board also receives an attendance fee of €1,000 for each participation in in-person meetings of the Supervisory Board. Insofar as meetings of the Supervisory Board do not take place in-person, but only virtually (in particular, if a meeting takes place only by telephone or only by video conference), the members of the Supervisory Board do not receive any attendance fee if the meeting does not last longer than one hour; half of the attendance fee if the meeting lasts longer than one hour, but less than two hours; and the full attendance fee if the meeting lasts two hours or more. Members who do not personally attend in-person meetings of the Supervisory Board (such as participation by telephone or video conference) always receive only 25 percent of the attendance fee; participation solely in the form of submission of a voting message does not give rise to any entitlement to an attendance fee.

The chairman of the Audit and Risk Committee receives an additional €20k per year and every other member of the Audit and Risk Committee receives an additional €15k per year for their service on the Audit and Risk Committee. A member of the Supervisory Board who is a member of the Audit and Risk Committee or has chaired the Audit and Risk Committee for only part of the fiscal year receives the additional remuneration pro rata temporis, rounding up to full months. The Company must support the members of the Audit and Risk Committee in obtaining necessary training and further education and must also bear the costs incurred for any such measures in a reasonable scope.

The table below shows the remuneration granted and owed individually to the Supervisory Board members. The remuneration components are disclosed according to the following principles:

- The fixed remuneration for the Supervisory Board and for membership in any committees is disclosed as "granted" in the fiscal year in which the activity / service on which the remuneration is based was fully performed, regardless of the time of inflow or payment.

- The same applies to the attendance fee. The attendance fee granted for Supervisory Board meetings is also disclosed as "granted" in the fiscal year in which the activity / service on which the remuneration is based was fully performed, regardless of the time of inflow or payment. The attendance fee is regarded as variable remuneration.

In accordance with the aforementioned principles, 1&1 does not disclose any owed remuneration.

Remuneration Granted to the Supervisory Board Members

in €k		Fix	Attendance fee	Total	Proportion Fix / Var
Kurt Dobitsch	2022	70	4	74	95 % / 5 %
	2021	62	4	66	94 % / 6 %
Kai-Uwe Ricke	2022	50	4	54	93 % / 7 %
	2021	48	4	52	92 % / 8 %
Matthias Baldermann	2022	45	4	49	92 % / 8 %
	2021	26	2	28	93 % / 7 %
Dr Claudia Borgas-Herold	2022	60	4	64	94 % / 6 %
	2021	54	4	58	93 % / 7 %
Vlasios Choulidis	2022	45	4	49	92 % / 8 %
	2021	45	4	49	92 % / 8 %
Norbert Lang	2022	65	4	69	94 % / 6 %
	2021	57	4	61	93 % / 7 %
Michael Scheeren	2022	0	0	0	0 % / 0 %
	2021	9	1	10	90 % / 10 %
Total	2022	**335**	**24**	**359**	**93 % / 7 %**
	2021	**301**	**23**	**324**	**93 % / 7 %**

In compliance with the requirements of Section 162 (1) second sentence, no. 2 AktG, the following table shows the annual change in the remuneration of the Management Board members, the Supervisory Board members and the total workforce (employees of the 1&1 Group worldwide, excluding the members of the Management Board of the (single) company 1&1 AG) as well as the annual change in the revenue and earnings figures of the group and the earnings of the (single) company.

Comparative Presentation

	Change 2022 over 2021
Remuneration of the Management Board members	
Ralph Dommermuth	0.0 %
Markus Huhn	- 1.3 %
Alessandro Nava	- 1.1 %
Remuneration of the Supervisory Board Members	
Kurt Dobitsch	+ 12.1 %
Kai-Uwe Ricke	+ 3.8 %
Matthias Baldermann (a)	+ 75.0 %
Dr Claudia Borgas-Herold	+ 10.3 %

	Change 2022 over 2021
Vlasios Choulidis	0 %
Norbert Lang	+ 13.1 %
Remuneration of employees	
Ø Remuneration of the total workforce (on an FTE basis)	+ 7.0 %
Corporate Development	
Revenue in the Group	+ 1.4 %
EBITDA (operating) in the Group	+ 3.2 %
Annual result of the single company	< - 100.0 %

(a) New member duiring fiscal year 2021

External (horizontal) comparison

According to DCGK (Recommendation G.3), the Supervisory Board should select a suitable peer group of companies (and disclose the companies in the selected group) to assess the customary nature of the specific total remuneration of the members of the Management Board in comparison to other companies.

The 1&1 AG Supervisory Board uses all companies that are listed on the TecDax as comparative companies to assess the specific total remuneration of the members of the Management Board.

At the last review, these companies were: Aixtron SE, Bechtle AG, Cancom SE, Carl Zeiss Meditec AG, Compugroup Medical SE &Co. KGaA, Deutsche Telekom AG, Drägerwerk AG & Co. KGaA, Eckert & Ziegler Strahlen- und Medizintechnik AG, Evotec SE, freenet AG, Infineon Technologies AG, Jenoptik AG, LPKF Laser & Electronics AG, MorphoSys AG, Nemetschek SE, New Work SE, Nordex SE, Pfeiffer Vacuum Technology AG, QIAGEN NV, S&T AG, SAP SE, Sartorius Aktiengesellschaft, Siemens Healthineers AG, Siltronic AG, Software Aktiengesellschaft, TeamViewer AG, Telefónica Deutschland Holding AG and Varta AG.

Montabaur, 29 March 2023

Ralph Dommermuth   Markus Huhn   Alessandro Nava

1&1 Aktiengesellschaft

Investor Relations Corner

1. Investor Relations

The capital market communications of 1&1 AG are conducted in conformity with the fair disclosure principle, i.e. all shareholders and interested parties are simultaneously provided with the same type of information about all important developments. The ongoing work can be followed and tracked equally by all investor groups on our investor relations home page where all of our relevant reports and publications can be viewed. Many of the people interested in our Company also take advantage of the opportunity for personal contact via email and / or telephone.

2. Share Price Development

in Trading Year 2022

	2021 year end	2022 year end	Change in %
1&1	€24.02	€11.60	-51.71
DAX	15,884.86	13,923.59	-12.35
SDAX	16,414.67	11,925.70	-27.35
TecDAX	3,920.17	2,921.12	-25.48

Performance of the 1&1 Share compared to DAX and SDAX (index price share, January - December)*

* Indices and the 1&1 Share show a dividend adjusted performace

3. Latest research notes

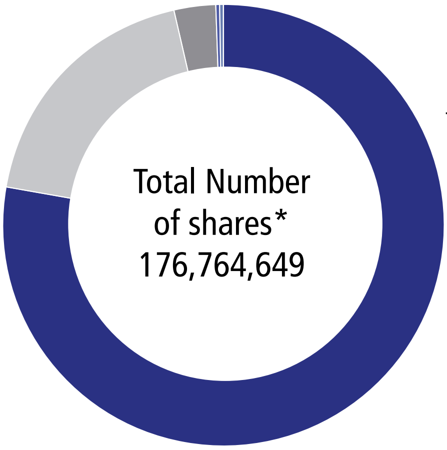
Current Analyst Assessments (Last revised 9 March 2023)

Analysis	Rating	Price target	Date
Goldman	"Neutral"	€16.50	15/02/2023
HSBC	"Neutral"	€13.50	15/02/2023
Newstreet	"Buy"	€31.00	17/01/2023

A current overview of the analysts' recommendations can be found on the IR homepage of 1&1 AG.
https://www.1und1.ag/investor-relations-en

4. Shareholder Structure

(Last revised 31 Dezember 2022)



78.32 % | United Internet AG
78.32 % | shs. 138,437,357

Treasuy Shares: 0.26 % | 1&1 AG
0.26 % | shs. 465,000

Supervisory Board: 0.12 % | V. Choulidis
0.04 % | MV Beteiligungs GmbH
0.15 % | shs. 273,333

TGV: 3.00 % | shs. 5,310,917

Other Shareholders: 18.26 % | shs. 32,278,042

Free Float as per definition of Dt. Boerse AG 21.68 %.
* Per voting rights publications

Source: https://www.1und1.ag/investor-relations-en

Other

Glossary

4G
4G is the successor to → UMTS (see also → LTE. After the 3G standard is switched off in 2021, all network operators have focused entirely on the fourth or fifth generation.

5G
The 5th generation mobile communications standard, which was launched as successor to → 4G in various big cities in Germany in 2020 enabling data transfer rates of up to 10 Gbps.

5G antenna
Device for transmitting and receiving 5G frequencies. It is located on the housing of the transmitter mast and consists of up to 64 individual antennas (so-called multi beams), which can be individually controlled to provide very high transmission performance. This technology is called "Massive Multiple Input, Multiple Output", in short "Massive MIMO".

5G Fixed Wireless Access (5G FWA)
Broadband technology based on 5G, in which Internet surfing is realized wirelessly via the mobile network instead of via fixed lines (optical fiber, (V)DSL, or cable). The prerequisite for receiving data via 5G FWA is a 5G router that converts the 5G radio signal into a WLAN signal.

ADSL (=Asymmetric Digital Subscriber Line)
ADSL is the most common DSL variation in Germany and is commonly called DSL. ADSL is realized over the existing telephone line (subscriber line).

Aktiengesetz (German Company Law)
The German Company Law (Aktiengesetz, AktG) regulates the structure and governing bodies of stock corporations, e.g. Supervisory Board, Management Board and shareholder rights.

Apps
Apps (or mobile apps) is the short form for applications and refers to small software programs for mobile devices, such as → smartphones or → tablet computers. These programs range from the simplest tools and fun applications with just one function right up to entire program packages offering a comprehensive range of functions.

ARPU
(Abbreviation for average revenue per user) Shows the average revenue from each customer.

Bandwidth
The bandwidth is the frequency range in which electrical signals are transmitted. Each transmission channel has a lower (1) and an upper (2) cut-off frequency. The unit of the bandwidth (B= 2-1) is that of the frequency in Hertz (Hz). The higher the bandwidth, the more data can be transmitted in parallel.

Campus network
Exclusive mobile network for a defined local company site. The Federal Network Agency assigns own 5G frequencies to industrial companies for the construction of campus networks.

Cash Flow
Net inflow of all of the cash which results from sales activities and other ongoing activities during a specific period.

Cloud
A network of multiple servers which are globally connected. One of the purposes is to store or manage data. Instead of accessing data and files on a personal computer, content in the cloud can be accessed from any Internet-enabled device. For example, you have mobile access to your data.

Cloud Computing
Use of IT infrastructures and services that are not kept on local computers but are rented as a service and can be accessed via a network (e.g. the Internet).

Consolidated Cash Flow Statement
The consolidated cash flow statement is the liquidity-oriented part of accounting. It represents a determination of the value of payment flows over the course of a fiscal year, broken down into the categories of current business operations, investment activities and financing activities. Incoming and outgoing payments during the relevant reporting period are compared with one another; on this basis, the changes in cash inventory are determined and explained.

Corporate Governance
Name of guidelines (code of conduct) for good management.

COTS Hardware
COTS (commercial off-the-shelf) describes mass-produced hardware and electronics products that are built and sold in large quantities in a completely identical manner – so-called standard hardware.

Credit Customer
Customer who has concluded a contract with a rate schedule designed by 1&1 and who is billed once a month in the company's own billing system.

DCF
(Abbreviation for discounted cash flow) A DCF analysis is based on the total of all of the cash flows projected for the future and discounts them to the present value.

Debit Customer
Customer who is billed in a network operator system in accordance with a prepaid rate schedule set by the network operator, requiring the prior top-up of the card with credit.

Directors' Dealings
Stock transactions undertaken by the Management Board or Supervisory Board or the relevant report of holdings.

Dividends
The dividend is the profit which is distributed proportionally for each share of stock in the stock corpora-tion. The General Meeting of the stock corporation decides about the amount of the dividend and its distribution.

Earnings per share
This key figure indicates the portion of the consolidated net income or loss generated that is attributable to a single share. The ratio is calculated by dividing the net income / loss for the year (consolidated net income / loss) by the weighted average number of shares issued.

EBIT
Abbreviation for earnings before interest and taxes.

EBITDA

Abbreviation for earnings before interest, taxes, depreciation and amortisation, the most important performance indicator.

EDGE Data Centers
Relatively small data centers at the edge of a network in the immediate neighborhood of consumers and end devices. In the Open RAN approach, hundreds of edge data centers form the core. This is how the network is spanned in the private cloud. The edge data centers are located at distances of less than 10 km from the antenna sites, connected by fiber links. Applications running here benefit from very short transmission paths, which are essential for real-time applications.

E-Health
(Abbreviation for Electronic Health) Collective term for the use of digital technologies in health care. Information and communication technologies (ICT) are used here for prevention, diagnosis, treatment, monitoring and management. 5G is considered the driver of these developments.

EPG
Electronic Program Guide

Federal Network Agency
Germany's highest regulatory authority – responsible for competition in the five network markets of electricity, gas, telecommunications, postal and rail transport. In addition to moderating conciliation procedures, its tasks also include the allocation of mobile radio frequencies.

Fibre optics
The connection to fiber optics offers the currently highest transmission rates of up to 100 GBit/s and is therefore the basis for the success of 5G. The data is transmitted by means of light particles (photons). In contrast to copper cables, which require electrical impulses for data transmission, there is no signal loss due to distance or weather conditions.

Free Float
Number or proportion of shares which can be freely traded on the stock market rather than being held by strategic investors.

Frequency
Number of repetitions per time unit for an operation. In telecommunications technology, repetitions take place in the form of radio waves and are measured in the unit Hertz (Hz).

Frequency auction
Procedure by which the Federal Network Agency awards licenses for the use of frequency ranges to mobile communications providers. The auction of the frequencies ends with the last bid of the participating companies. The 2019 5G auction lasted a historically long three months and generated a total of 6.5 billion euros for the state.

Frequency spectrum
The frequency spectrum, usually simply spectrum, of a signal indicates its composition from different frequencies.

Friendly User Test
Group of interested participants tests a product / service under real conditions in advance of the official marketing launch. This allows valid test data and evaluations of the functionality of a product / service before it is available to the general public.

GHz
(Abbreviation for gigahertz) Hertz is the number of repetitive operations per second in a periodic signal. One kilohertz (kHz) corresponds to 1,000 hertz, one megahertz (MHz) to 1,000,000 hertz and one gigahertz to 1,000,000,000 hertz. The frequencies used for 5G, which were auctioned off in the 2019 frequency auction, are in the 3.6 GHz range.

g~paid
Virtual cash card system which makes possible the secure distribution of activation codes for topping up → pre-paid cards (e.g. in wireless networks, for online payment systems).

GPRS
(Abbreviation for general packet radio service) Technology providing higher data transmission rates in GSM networks (up to 114 kbit/s).

GSM
(Abbreviation for global system for mobile communications) Pan-European standard in the range of 900 and 1,800 MHz for digital mobile telephone networks.

HSDPA
(Abbreviation for high-speed downlink packet access) This special transmission protocol within the mobile telephone standard → UMTS makes it possible to increase data rates between telecommunications net-work and end device (downlink) to up to 7.2 Mbit/s.

HSUPA
(Abbreviation for high-speed uplink packet access) This transmission protocol within the mobile telephone standard UMTS makes it possible to increase data rates between end device and telecommunications network (uplink) to up to 5.8 Mbit/s.

IFRS
(Abbreviation for International Financial Reporting Standards) Body of international accounting standards.

IoT
(Abbreviation for Internet of Things) Collective term for the increasing physical and virtual networking of objects with the Internet. Everyday objects, objects or machines are equipped with processors and sensors and can thus communicate with each other via IP networks. Especially in industry, connecting intelligent machines is an essential driver of digital transformation (Industry 4.0). 5G is considered the key to future technologies in the field of IoT.

IPTV
(Abbreviation for international protocol television) Transmission of television programs via an internet connection.

Issuer
An issuer is the party who issues securities.

Latency
Dwell time of data within a network - the time it takes for a data packet to travel from sender to receiver. While 4G has a latency of about 60 milliseconds, 5G offers a latency of less than one millisecond.

LTE
LTE stands for Long Term Evolution and describes the internationally coordinated development of existing wireless communication technology. It offers higher data rates than GSM or UMTS. LTE is classified as the 3rd wireless communication generation with the chronological name 3.9 G. Only the further development LTE-Advanced

is referred to as 4G. As with the other wireless communication generations, operation requires a network comprised of base stations that service a specific area and appropriately compatible end appliances. (Source: *http://emf2.bundesnetzagentur.de/tech_lte.html*)

MBA MVNO
(Mobile Bitstream Access Mobile Virtual Network Operator) A MBA MVNO is a telephone company that is comparable to a MVNO (see MVNO); however, in contrast to a MVNO, it has entered into an obligation to purchase network capacity (percentage share of the utilised network capacity of a network operator).

MIMO
(Abbreviation for Multiple Input, Multiple Output) Transmission method for the communication of several antennas in transmitters and receivers. MIMO uses intelligent antenna technology that combines available antennas to minimize potential errors in data transmission and optimize transmission speeds. 5G uses Massive MIMO, which helps providers prepare their networks to support higher data volumes.

Mobile Payment
Mobile payment (or m-payment) refers to the initiation, authorization or realisation of payment (on the part of the debtor as a minimum) using a mobile electronic means of communication, e.g. cash card purchase using → g~paid, payment of parking fees using a mobile phone or bank transfers via SMS.

MVNO (Mobile Virtual Network Operator)
Private telephone company without its own wireless network which, on its own behalf and for its own account, sells wireless services, → SIM cards and wireless end devices as well as value-added services (e.g. → SMS, SMS Premium, → MMS). These services are based on standardised, unbundled advance services on the procurement side, allowing a MVNO significantly increased room for manoeuvring in the product and sales areas in comparison with a MSP.

National Roaming Agreement
Negotiations on nationwide access to networks of incumbent network operators during the construction phase of a new network infrastructure by a new entrant.

Near field communication (NFC)
Near Field Communication, or NFC for short, enables the contactless exchange of data over short distances of a few centimeters via electromagnetic induction. The technology is used, for example, for cashless payments or the purchase of tickets. (Source: http://www.elektronik-kompendium.de/sites/kom/1107181.htm)

Network slicing
Refers to the division of a physical network infrastructure into various virtual network elements. This technology serves to increase the flexibility of networks, in which special functions can be offered on an application-specific basis.

No frills Provider
These are products which are offered at comparatively low prices, but with very few options or additional features. On the wireless services market, the discounters are frequently referred to as "no-frills providers."

Open RAN
(RAN stands for Radio Access Network). In mobile communications, base stations communicate with terminals using certain transmission technologies such as LTE or UMTS through radio signals. The link between terminals and the core network is referred to as the radio access network – RAN.

Open RAN approach
In contrast to a traditional closed RAN, Open RAN separates hardware from software and antenna. The advantage is that this allows vendor-mixed neutral networks. This means that any network components from different manufacturers can be combined with each other, thus enabling the best solutions to be used at all times. Furthermore, complex retrofitting of base stations will no longer be necessary in the future, since an exchange update of the software will suffice.

O-RAN ALLIANCE
Alliance of around 30 international mobile network operators committed to the deployment of open and intelligent radio access networks (RAN). The O-RAN ALLIANCE was established in February 2018 and has since evolved into a global community of mobile network operators, vendors, and research and academic institutions working in the field of radio access networks (RAN). The goal of the O-RAN ALLIANCE is to transform the RAN industry towards smart, open, virtualized and fully interoperable mobile networks. Among the central tasks of the O-RAN ALLIANCE is the continuous specification of O-RAN interfaces.

PIN
(Abbreviation for personal identification number) A number, usually consisting of four digits, saved on a data carrier, entered as verification when the holder uses a machine. The best-known examples are bank debit cards and cash points or → SIM cards in a mobile phone. If no authentication is possible due to multiple incorrect entries, the card will be blocked. Further use is only possible after entering the → PUK

Post-paid
Payment model; the customer does not pay for the services he / she has used until the end of the account¬ing period, when an invoice is issued.

Pre-paid
Payment model; the customer cannot use the services until a (pre-paid) account has been topped up.

Profit per Share
This figure shows the amount of the realised consolidated profit or deficit which can be appropriated to a single share of stock. The figure is calculated by dividing the results for the year (consolidated profit / deficit) by the weighted average of the number of issued shares.

PUK
(Abbreviation for personal unblocking key) A number, usually consisting of 8 digits, which can be used to unblock a blocked → PIN (also called super PIN).

Radio cell
A radio cell is the area in which the signal transmitted by a transmitting device of a mobile radio network can be received and decoded without error.

Roaming

Process allowing telephone calls to be placed using the networks of various network operators, such as international roaming in the pan-European GSM system.

Security Identification Number
The six-place combination of digits and letters used in Germany (WKN) identifies each security uniquely.

SDAX
The SDAX (derived from Small-Cap-DAX) is a German stock index launched by Deutsche Börse AG on June 21, 1999.

SIM
(Abbreviation for subscriber identity module) Chip card which is placed in a mobile telephone or other mobile end device. It identifies the device with the user, verifies his / her identity via a → PIN and authorises the use of the offered services (e.g. mobile telephone services). In addition to network-related data, data such as address book entries or text messages can also be stored on a SIM card.

Smart City
Development concepts aimed at making cities more efficient and digital through technological innovation. Here, too, 5G is to serve as the key to numerous applications.

Smartphone
A mobile phone with more advanced computer functions and connectivity than offered by a standard mobile phone. Equipped with high-resolution touch screen and internet connection via mobile broadband or WLAN, smartphones can display web pages, for example, or receive and send e-mails.

SMS
(Abbreviation for short message service) Digital short message, e.g., texts, graphics sent via a mobile communications end device ("text message").

Stock Index
A stock index provides comprehensive information regarding the development of prices on the stock markets. One example for the German stock market is the Deutsche Aktienindex (DAX); changes in stock prices as well as dividend payments are integrated into the calculation of its values.

Supervisory Board
The Supervisory Board is responsible for monitoring the management of the corporation. The Supervisory Board of a stock corporation consists of a minimum of three members, who may not simultaneously be members of the Management Board. The Supervisory Board is elected by the general meeting

Tablet-Computer
A tablet computer or tablet PC is a portable flat and particularly lightweight computer that is equipped only with a touch screen, but does not have a mechanical keyboard. As with a → smartphone, it accesses the internet via mobile broadband or wireless LAN. Tablet computers are mainly used for studying media while on the move, as e-readers and for mobile internet access.

TecDAX
Stock index introduced on March 24, 2003 compiling the 30 most important German technology stocks. It is the successor of the Nemax50.

Tower Companies
Companies whose business model is based on leasing available antenna masts to network operators for their joint use (co-location sites). The range of services offered by radio tower companies also includes the construction of new antenna sites on behalf of network operators (build-to-suit sites).

UMTS
(Abbreviation for universal mobile telecommunications system) International mobile telephone standard of the 3rd generation.

Value-Added Services (VAS)
Services which produce additional value, such as ring tones for mobile phones.

VDSL
(Abbreviation for very high speed digital subscriber line) VDSL is a DSL technique that provides higher data rates over telephone lines such as ADSL.

Video-on-Demand (VoD)
Possibility to download digital videos on demand from an online platform or to watch them directly via streaming.

Wireless Services Discounter (No Frills)
Provider of very low wireless services rates which do not include subsidisation of the device and offer transparent terms and conditions. As a rule, no basic fee, minimum turnover or term of contract.

Workflow Management System
Automation of production and business processes using IT systems and special software.

Publications, Information and Order Service

This Annual Report 2022 is also available in German.

You can view and download our business and quarterly reports, ad-hoc announcements, press releases and other publications about 1&1 AG at: www.1und1.ag/investor-relations-en.

Please use our online order service on our website: www.1und1.ag/investor-relations-en#bestellservice.

Naturally, we would also be happy to send you the desired information by post or by mail. We will be glad to help you with any personal queries by telephone.

Financial Event Calender *

30 March 2023	Annual Report 2022, Press and Analyst Conference
10 May 2023	Quarterly Statement Q1 2023
16 May 2023	Annual General Meeting
3 August 2023	6-Month Report 2023, Press and Analyst Conference
10 November 2023	Quarterly Statement Q3 2023

* These provisional dates are subject to change.

Contact

Our Investor Relations and Press Department will be glad to answer any questions you may have concerning 1&1 AG and the report.

Investor Relations
Elgendorfer Straße 57
D - 56410 Montabaur

Telephone: +49 (0) 61 81 / 412 200
Telefax: +49 (0) 61 81 / 412 183
E-Mail: ir@1und1.de

Press
Elgendorfer Straße 57
D - 56410 Montabaur

Telephone: +49 (0) 61 81 / 412 620
Telefax: +49 (0) 61 81 / 412 183
E-Mail: presse@1und1.de

Legal information

1&1 AG is a member of the United Internet Group.

Company headquarters
Elgendorfer Straße 57
D - 56410 Montabaur

Telephone: +49 (0) 26 02 / 96 0
Telefax: +49 (0) 26 02 / 96 1010

Responsible
1&1 AG

Investor Relations contact
Telephone: +49 (0) 61 81 / 412 200
Telefax: +49 (0) 61 81 / 412 183
E-Mail: ir@1und1.de

Commercial Register Entry
HRB 28530 Montabaur
VAT ID No.: DE 812458592
Tax No.: 03522506037
Offenbach City Tax Office

Management Board
Ralph Dommermuth (CEO)
Markus Huhn
Alessandro Nava

Supervisory Board
Kurt Dobitsch (Chairman)
Kai-Uwe Ricke (Deputy Chairman)
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Additional information as contact details, can be found on the homepage:
https://www.1und1.ag/contact-us

1&1 AG
Elgendorfer Straße 57
56410 Montabaur
Deutschland

www.1und1.ag