# Annual report 2023

# Data & Facts

| Selected Performance Indicators | 2023 | 2022 | Change | Q4 `23 | Q4 `22 | Change | Q3 `23 | Q2 `23 | Q1 `23 |
|---|---|---|---|---|---|---|---|---|---|
| **Profit (in €m)** | | | | | | | | | |
| Revenues | 4,096.7 | 3,963.7 | 3.4% | 1,064.9 | 1,013.4 | 5.1% | 1,038.7 | 972.1 | 1,021.0 |
| Service revenues | 3,243.2 | 3,175.4 | 2.1% | 824.3 | 788.7 | 4.5% | 834.3 | 795.7 | 788.9 |
| Hardware and Other revenues | 853.5 | 788.3 | 8.3% | 240.6 | 224.7 | 7.1% | 204.4 | 176.4 | 232.1 |
| **EBITDA** | **653.8** | **693.3** | **-5.7%** | **142.7** | **144.3** | **-1.1%** | **159.1** | **169.9** | **182.1** |
| EBITDA segment Access | 786.2 | 745.7 | 5.4% | 201.3 | 169.9 | 18.5% | 192.1 | 191.5 | 201.3 |
| EBITDA segment 1&1 Mobile Network | -132.4 | -52.4 | | -58.6 | -25.6 | | -33.0 | -21.6 | -19.2 |
| **EBIT** | **455.8** | **534.9** | **-14.8%** | **92.1** | **106.1** | **-13.2%** | **109.6** | **120.7** | **133.4** |
| EBIT excluding PPA write-offs | 512.9 | 598.6 | -14.3% | 106.4 | 107.3 | -0.8% | 123.8 | 135.0 | 147.7 |
| **EBT** | **464.9** | **531.5** | **-12.5%** | **94.9** | **107.3** | **-11.6%** | **112.4** | **122.8** | **134.8** |
| EBT excluding PPA write-offs | 522.0 | 595.2 | -12.3% | 109.2 | 108.5 | 0.6% | 126.6 | 137.1 | 149.1 |
| Profit per share (in €) | 1.79 | 2.08 | -13.9% | 0.35 | 0.40 | -12.5% | 0.42 | 0.49 | 0.53 |
| Profit per share excluding PPA write-offs (in €) | 2.01 | 2.34 | -14.1% | 0.41 | 0.41 | 0.0% | 0.47 | 0.54 | 0.59 |
| **Cash flow (in €m)*** | | | | | | | | | |
| Net inflow of funds from operating activities | 225.6 | 182.9 | 23.3% | 12.6 | 3.4 | | 190.0 | -76.8 | 99.8 |
| Net outflow of funds in investment sector | -125.2 | -95.1 | -31.6% | 56.2 | 60.6 | 7.3% | -180.6 | 92.6 | -93.4 |
| Free cash flow | -70.1 | -62.1 | 12.9% | -149.3 | -158.2 | -5.6% | 137.2 | -117.6 | 59.6 |

| | 31/12/2023 | 31/12/2022 | Change | 31/12/2023 | 31/12/2022 | Change | 30/09/2023 | 30/06/2023 | 31/03/2023 |
|---|---|---|---|---|---|---|---|---|---|
| **Headcount (incl. management board)** | | | | | | | | | |
| Total per end of December | 3,320 | 3,163 | 5.0% | 3,320 | 3,163 | 5.0% | 3,244 | 3,237 | 3,218 |
| **Customer contracts (in millions)** | | | | | | | | | |
| Access, contracts | 16.26 | 15.78 | 3.0% | 16.26 | 15.78 | 3.0% | 16.11 | 15.96 | 15.87 |
| of which mobile internet | 12.25 | 11.68 | 4.9% | 12.25 | 11.68 | 4.9% | 12.10 | 11.91 | 11.80 |
| of which broadband (ADSL, VDSL, FTTH) | 4.01 | 4.10 | -2.2% | 4.01 | 4.10 | -2.2% | 4.01 | 4.05 | 4.07 |
| **Balance Sheet (in €m)** | | | | | | | | | |
| Short-term assets | 1,927.8 | 1,855.2 | 3.9% | 1,927.8 | 1,855.2 | 3.9% | 2,043.2 | 1,891.2 | 1,963.3 |
| Long-term assets | 5,812.5 | 5,401.9 | 7.6% | 5,812.5 | 5,401.9 | 7.6% | 5,627.4 | 5,610.9 | 5,390.2 |
| Shareholders' equity | 5,887.1 | 5,579.8 | 5.5% | 5,887.1 | 5,579.8 | 5.5% | 5,825.4 | 5,751.8 | 5,674.2 |
| Balance sheet total | 7,740.3 | 7,257.1 | 6.7% | 7,740.3 | 7,257.1 | 6.7% | 7,670.6 | 7,502.2 | 7,353.5 |
| Equity ratio | 76.1% | 76.9% | | 76.1% | 76.9% | | 75.9% | 76.7% | 77.2% |

*For the 2022 reporting year, adjustments were made to the disclosure of cash inflows and outflows for interest in the consolidated cash flow statement. Please refer to the explanations under Note 2.2 Change in accounting policies.

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# To Our Shareholders

# Letter from the Management Board

**Dear Shareholders,**

1&1 can look back on a successful financial year 2023. Once again, we were able to increase the customer base, service revenues and operating EBITDA in the "Access" segment.

The number of customer contracts rose by 480,000 to 16.26 million contracts (31/12/2022: 15.78 million). The growth was based on 570,000 new mobile internet contracts, which raised the total to 12.25 million. At the same time, the number of broadband connections fell by 90,000 contracts to 4.01 million contracts.

Sales increased by 3.4 percent, or €133.0 million, to €4.097 billion in the 2023 financial year (2022: €3.964 billion). The service revenue included in this figure increased by 2.1 percent or €67.8 million to €3.243 billion in the 2023 financial year (2022: €3.175 billion). Other revenues also included— essentially from the realisation of hardware sales brought forward (in particular from in-vestments in smartphones that will be reimbursed by the customers over the minimum contract term in the form of higher package prices) — increased by 8.3 percent to €853.5 million (2022: €788.3 million). Hardware business fluctuates seasonally and its development depends heavily on the attractiveness of new devices and the model cycles of manufacturers.

As planned, consolidated EBITDA (earnings before interest, taxes, depreciation and amortisation) declined in financial year 2023 slightly by €39.5 million (5.7 percent) to €653.8 million (2022: €693.3 million). The segment "Access" generated €786.2 million (2022: €745.7 million), while start-up costs in the segment "1&1 Mobile Network" depressed the EBITDA by €-132.4 million (2022: €52.4 million)

Profit per share came to €1.79 (previous year: €2.08, excluding out-of-period income). Excluding the effects of the PPA write-offs, the profit per share amounted to €2.01 (previous year: €2.34, excluding out-of-period income).

Free cash flow in 2023 amounted to €-70.1 million (2022: €-64.5 million). The improvement in operating cash flow was offset by a planned increase in capex due to the construction of our mobile communications network.

In addition to the operating business, 2023 was characterised by preparations for the launch of mobile services in the 1&1 network, which included interconnecting our network with all national and international networks and testing the functionality of mobile services with external customer groups. We also agreed a long-term national roaming partnership with Vodafone in August 2023. Based on this agreement, we will gradually replace the national roaming services currently provided by Telefónica from summer 2024, at the latest from October 2024. National roaming is needed to provide our more than twelve million mobile customers with coverage during the construction phase of the 1&1 network wherever we do not yet have our own network coverage.

We have been demonstrating the performance of the innovative Open RAN technology used in our network since December 2022 with "1&1 5G at home". Our network is now fully functional and can already be used by over 500,000 customers three months after the launch of mobile services. We are proud to operate the first cloud-native Open RAN in Europe.

We are proud to operate the first cloud-native Open RAN in Europe. We are the fourth network operator to advocate for more competition in the interests of consumers and for a future-proof, digital Germany. The 1&1 O-RAN utilises hardware, software and services from over 80 partner companies. We are independent of dominant manufacturers such as HUAWEI.

Unlike conventional networks, the 1&1 network is operated in a private cloud, which we set up in hundreds of far-edge data centres across Germany. 112 regional far-edge data centres are already in operation, as well as 24 decentralised edge data centres and two core data centres. All network functions are controlled by software running on standard market servers. Only gigabit antennas are used, which are connected to the regional far-edge data centres via fibre optics. This architecture enables minimal latency, which is essential for future real-time applications.

We are also making good progress with the construction of the antenna sites: We are now gradually catching up on the initial backlog caused by the almost complete cancellation of our main supplier together with additionally commissioned expansion partners. At the end of 2023, we had 1,062 antenna sites (passive infrastructure). By the end of 2024, these are expected to grow to around 3,000 sites, which will be available for the installation of 5G high-performance antennas and connection to fibre optics.

We are looking forward to the next major milestones in the construction of the 1&1 mobile network and the competition with our competitors for the benefit of consumers in Germany. As one of the leading German telecommunications providers, 1&1 has stood for innovative and attractive offers as well as an attractive price/performance ratio. Yet the Company does not rely on attractive prices alone; above all, quality and service are the key differentiators for our private and business customers.

We are therefore delighted that 1&1 was once able to complete the “Broadband Complete Check” of the renowned trade magazine connect this year with excellent ratings and was the test winner in the “Normal Users” and “Frequent Users” categories. And even “Infrequent Users” and “Business Users” showed their satisfaction with our services by giving a rating of “Excellent”.

In addition, 1&1’s broadband rate plans were classified as “Excellent” in the “Complete Check of Landline Network Providers” conducted by connect. In no fewer than two user profiles — “Budget Users” and

"Normal Users" — 1&1 received the top rating of "Outstanding" as the test victor in two categories. The ranking procedure focused on the categories price, network quality and services.

We were also pleased with the result from the connect "Mobile Services Hotline Test". 1&1 scored 435 out of a possible 500 points and was rated "Excellent". We scored particularly well in the categories of accessibility, waiting time, voice command system and friendliness.

Our IPTV offering was also convincing. In the test conducted by IMTEST, the consumer magazine of the FUNKE Media Group, in April 2023, 1&1 emerged as the test winner. An overall rating of "Excellent" secured 1&1 IPTV's first place ahead of Deutsche Telekom and Vodafone.

Our business continues to develop well. We expect an increase of about 4 percent in service revenues to approximately €3.37 billion for 2024 (2023: €3.24 billion) and EBITDA growth of 10 percent to about €720 million (2023: €653.8 million). Growth will be driven by the "Access" business segment with a forecast increase of around 12 percent to approximately €880 million (2023: €786.2 million), while start-up costs in the "1&1 Mobile Network" are still expected to be around -€160 million (2023: -€132.4 million). The investment volume (cash capex) is budgeted at around €380 million (2023: about €295.6 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 us.

Best regards from Montabaur,

Ralph Dommermuth　　Markus Huhn　　Alessandro Nava

Montabaur, March 2024

# Management

## Ralph Dommermuth, Chief Executive Officer

In 1988, Ralph Dommermuth, born in 1963, founded 1&1 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 the time 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 of the 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. He has been a member of the Management Board of United Internet AG since April 2023 and is responsible for the Shared Services division.

## 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

In the fiscal year 2023, the Supervisory Board of 1&1 AG fulfilled the duties incumbent upon it by law, the Articles of Association and its Rules of Procedure to regularly advise the Management Board and monitor its management of the Company. In particular, the Supervisory Board's advice and monitoring of the Management Board also included sustainability issues. The Supervisory Board was at all times able to satisfy itself of the lawfulness, expediency and correctness of the Management Board's work. The Supervisory Board was directly involved in all decisions of fundamental significance for the Company. The Management Board provided the Supervisory Board and the Audit and Risk Committee with regular and comprehensive reports, both written and oral, and also between meetings, about all relevant questions concerning corporate strategy and planning, as well as the associated risks and opportunities, the development and progress of business, planned and current investments, the status of the Group and its risk exposure, as well as the status of the Risk Management System, the Internal Control System, and the Compliance Management System as aligned with the Company's risk position. The Management Board discussed the Company's strategic alignment with the Supervisory Board and presented it with a comprehensive report every quarter about the state of business, the development of sales and earnings, and the position of the Company and its business policy. This also included information about any deviation between planned and actual figures. With regard to both content and scope, these reports met all statutory requirements, the standards of good corporate governance, and the criteria set by the Supervisory Board. reports were made available to all members of the Supervisory Board.

The Supervisory Board examined the plausibility of the reports provided by the Management Board, discussed their content in detail, and gave a critical assessment. The Supervisory Board granted its approval for individual business transactions where this was required by law, the Articles of Association, or the Rules of Procedure for the Management Board.

The Supervisory Board and the Audit and Risk Committee formed by the Supervisory Board were regularly informed by the Management Board about the Internal Control System and Risk Management System it had established throughout the Group, which also cover sustainability-related issues, as well as the Internal Audit System, and the Compliance Management System. On the basis of its own reviews and those of the Audit and Risk Committee, the Supervisory Board came to the conclusion that the Internal Control System, the Risk Management System, the Internal Audit System, and the Compliance Management System are appropriate and effective.

The members of the Supervisory Board complete the training and further education measures required for their tasks on their own. The members of the Supervisory Board receive appropriate support from the Company with regard to their appointment and their training and development. In particular, an individual introduction to the activities of the Supervisory Board of 1&1 AG takes place upon taking office. All necessary documents are made available, practical and legal principles are explained, and specific questions of German Stock Corporation Law ("Aktiengesetz" - AktG) are addressed.

In 2023, training courses and workshops were also held for Supervisory Board members on topics of particular relevance, such as certain sustainability aspects and the German Corporate Governance Code.

**Personnel changes of the Management Board and Supervisory Board**

There were no changes in the composition of the Management Board during the fiscal year 2023. The Management Board thus consists of Mr. Ralph Dommermuth (CEO), Mr. Markus Huhn and Mr. Alessandro Nava.

There were changes in the composition of the Supervisory Board in fiscal year 2023. The long-serving Supervisory Board members Dr. Claudia Borgas-Herold and Mr. Kai-Uwe Ricke retired from the Supervisory Board on May 16, 2023.

The term of office of all Supervisory Board members ended on expiry of the Annual Shareholders' Meeting on May 16, 2023, necessitating the election of the complete Supervisory Board. With a resolution adopted by the Annual Shareholders' Meeting of May 16, 2023, Mr. Matthias Baldermann, Mr. Vlasios Choulidis, Mr. Kurt Dobitsch, Mr. Friedrich Joussen, Mr. Norbert Lang, and Ms. Christine Schöneweis were elected as members of the Supervisory Board.

In accordance with section 96 (1), section 101 (1) AktG and section 10 (1) of the Company's Articles of Association, the Supervisory Board comprised six members in the fiscal year 2023. The Supervisory Board's skills profile is in line with its previous and current objectives; in particular, the Supervisory Board has at least four independent members, Ms. Christine Schöneweis, Mr. Kurt Dobitsch, Mr. Norbert Lang and Mr. Matthias Baldermann. The share of women on the Supervisory Board amounted to 16.66 percent in the fiscal year 2023. Mr. Kurt Dobitsch served as Chairman of the Supervisory Board and Mr. Norbert Lang as Deputy Chairman of the Supervisory Board in the fiscal year 2023. As far as the Company is aware, none of the Supervisory Board members hold any executive body or advisory positions with major competitors of the Company. There was no indication of any conflicts of interest involving members of the Supervisory Board or Management Board.

**Meetings and main topics**

In addition to the regular statutory reports, the following issues were discussed and reviewed in greater detail during the fiscal year 2023:

- The Annual Financial Statements and Consolidated Financial Statements as at December 31, 2022

- The Company's sales and earnings planning for 2023

- The planning of the Group’s investment projects for the fiscal year 2023
- Considerations and planning for a 5G mobile communications network
- Considerations and planning for contracts with a tower company for the construction and rollout of a 5G mobile communications network
- The Report of the Supervisory Board to the Annual Shareholders’ Meeting for fiscal year 2022, the update to the Declaration of Conformity with the German Corporate Governance Code, the Declaration on Company Management
- The resolution on the Company’s sales and earnings planning for 2024 and the planning of expenditure and investment for a 5G mobile communications network
- The invitation, agenda, and resolution proposals for the Annual Shareholders’ Meeting 2023
- The resolution on the Management Board’s proposal for the allocation of unappropriated profit
- The dividend proposal to the Annual Shareholders' Meeting
- The audit planning and the quarterly reports of the Internal Audit department
- Monitoring the effectiveness of the implemented Compliance System
- The quarterly reports on risk management and the risk management strategy
- Monitoring the effectiveness of the implemented Internal Control System
- The Dependent Company Report 2022, review and approval of the Dependent Company Report 2022
- The development of the Company during the year
- Review of the independence of PriceWaterhouseCoopers GmbH and the acting persons, also taking into account the additional services provided and the audit focus areas
- Resolution on the Sustainability Report
- Implementation of an ESG strategy and clarification of its future importance for the Management Board and Supervisory Board

The Supervisory Board held four ordinary meetings during fiscal year 2023 during which the Management Board presented detailed information about the business situation and the development of the Company and Group, as well as about significant business events and other Management Board matters. The Supervisory Board decided that some of its meetings should be held regularly without the presence of the Management Board. These meetings were each attended by all members of the Supervisory Board. Three of the four meetings of the full Supervisory Board were held in person and one in hybrid form. Mr. Vlasios Choulidis and Mr. Kai-Uwe Ricke took part in the first ordinary Supervisory Board meeting via video conference. Mr. Norbert Lang and Mr. Vlasios Choulidis were unable to attend the second ordinary meeting of the Supervisory Board in person. They took part in the resolutions of the Supervisory Board meeting by submitting a written vote to Mr. Kurt Dobitsch.

In addition to the ordinary meetings of the Supervisory Board, there was one extraordinary meeting of the Supervisory Board at which matters were discussed and decided which could not wait until the next ordinary Supervisory Board meeting. The meeting was held in the form of a video conference. Dr. Claudia Borgas-Herold, Mr. Vlasios Choulidis, and Mr. Kai-Uwe Ricke did not participate in the extraordinary meeting of the Supervisory Board but submitted their vote to Mr. Kurt Dobitsch.

In some cases, resolutions were also adopted by means of circular written consent or via video conferences on the basis of written decision proposals submitted by the Management Board.

## Work of the Audit and Risk Committee

In fiscal year 2023, the Audit and Risk Committee comprised Mr. Norbert Lang, Mr. Kurt Dobitsch, and Mr. Matthias Baldermann. Mr. Matthias Baldermann has been a member of the Audit and Risk Committee since May 2023. Ms. Claudia Borgas-Herold was a member of the Audit and Risk Committee from July 2021 to May 2023. Mr. Norbert Lang continued to chair the Committee.

The Audit and Risk Committee assists the Supervisory Board in its monitoring of accounting practices and the integrity of the accounting process, as well as in monitoring the effectiveness and functionality of the Internal Control System, the Risk Management System, the Compliance Management System, and the Internal Audit System. Moreover, it supports the Supervisory Board in monitoring the auditing of the annual financial statements, the services provided by the auditor, the auditing fees, and the additional services provided by the auditor.

The Audit and Risk Committee closely examines the Annual Financial Statements and Consolidated Financial Statements, the Combined Management Report for the Company and the Group, the Consolidated Non-financial Statement, and the Management Board’s proposal for the allocation of unappropriated profit.

The Committee plays a key role in the invitation to tender for the auditing of the annual financial statements, in particular with regard to compliance with the formal requirements, evaluation of the tender offers, and participation in the presentation of the candidates, as well as the preparation of a proposal to the Supervisory Board.

Together with the Management Board and the auditor, the Committee discusses the assessment of the audit risk, audit strategy, audit planning, the audit process, the audit focus areas and methodology, the audit results, and the audit reports, also with regard to the Internal Control System relating to the accounting process, and makes recommendations to the Supervisory Board. The Audit and Risk Committee regularly consults with the auditor, also without the presence of the Management Board. It regularly assesses the quality of the audit. Prior to their publication, it discusses the quarterly statements and the half-year financial report with the Management Board.

In addition, the Audit and Risk Committee closely examines the Internal Control System, the Risk Management System, the Internal Audit System, and the Compliance Management System. In particular, its remit is to check the appropriateness and effectiveness of these systems.

The Audit and Risk Committee also prepares the negotiations and resolutions of the Supervisory Board for the proposal of the Supervisory Board to the Annual Shareholders' Meeting regarding the election of the auditor and decisions on corporate governance issues, as well as resolving on the approval of related party transactions in accordance with section 111b (1) AktG.

In terms of content, the Audit and Risk Committee also dealt specifically with the following in 2023:

- The Report of the Supervisory Board
- The examination of the Risk Management System
- The Declaration on Company Management
- The Annual Financial Statements and Consolidated Financial Statements, as well as the Management Report
- The Non-financial Statement
- The Internal Control System project
- Stock corporation and capital market law for Supervisory Board members as part of a workshop with external support.

The Chairman of the Audit Committee regularly reports to the whole Supervisory Board on the activities of the Audit Committee. In the event of significant occurrences and findings by the Audit and Risk Committee, its chair informs the Chairman of the Supervisory Board without delay.

The Audit and Risk Committee held four ordinary meetings during fiscal year 2023, which were each attended by all members. Some of the meetings of the Audit and Risk Committee were held as conference calls, via telephone or video.

In addition to these ordinary meetings, there were numerous other meetings and workshops at which the individual Committee members went through the topic fields assigned to them together with Company employees in order to be informed about the above mentioned control systems and thereby derive measures aimed at continuously improving these control systems.

**Corporate Governance**

In accordance with recommendation D. 12 of the German Corporate Governance Code ("the Code"), the Company should provide the members of the Supervisory Board with appropriate support during their induction to office as well as training and further education measures.

To ensure successful onboarding, the new member of the Supervisory Board is provided with all the necessary documents in the form of an introductory, individually compiled information package. In addition, there is an introductory meeting on the most important processes and procedures, as well as individual discussions with the Chairman of the Supervisory Board and the CFO in the form of coordination meetings.

Support with regard to training and development measures is guaranteed and ensured in particular through the regular and/or event-driven provision of information material on current topics, as well as through external training events.

In accordance with recommendation D.13 of the Code, the Supervisory Board as a whole, as well as the Audit and Risk Committee, should regularly assess how effectively it fulfills its duties as a body. For this purpose, a self-assessment is conducted approximately every two years with the aid of questionnaires. The results of the survey are evaluated anonymously and then discussed at a plenary meeting. Any need for improvement that emerges is subsequently addressed.

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

The Supervisory Board did not hold any discussions with investors in the reporting period.

In accordance with recommendation C.22 of the Code, the Management Board and Supervisory Board report on corporate governance in connection with the Declaration on Company Management. The Management Board and Supervisory Board issued their last joint Declaration of Conformity pursuant to section 161 AktG in the reporting period on December 18, 2023, according to which the recommendations of the Code are largely complied with. The declarations, together with the explanations provided, are made permanently available to shareholders on the Company's website. Please also refer to the comments in the Declaration on Company Management 2023.

**Discussion and examination of the Annual Financial Statements and Consolidated Financial Statements 2023**

The Annual Financial Statements and Consolidated Financial Statements as at December 31, 2023, prepared and punctually submitted by the Management Board, the Combined Management Report for the Company and the Group (which includes the explanatory report on disclosures pursuant to section 289a (1) and section 315 (2a) HGB), as well as the accounting and the risk management system were audited by PriceWaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, which was elected as auditor by the Annual Shareholders' Meeting on May 16, 2023, and awarded unqualified certificates.

The Annual Financial Statements and Consolidated Financial Statements, the Combined Management Report for the Company and the Group and the corresponding reports of the auditor were submitted to all members of the Supervisory Board. When awarding the contract to the auditor, the key audit matters (KAM) focused in particular on the following points: for the Consolidated Financial Statements, these included revenue recognition, the recognition of contract initiation and fulfillment costs, and the impairment of goodwill and 5G spectrum, and for the Annual Financial Statements of 1&1 AG, the impairment of financial assets.

The financial statement documents were finally reviewed and discussed at a meeting of the Supervisory Board on March 20, 2024 in the presence of the auditor. The auditor reported on the key audit findings, explained them and responded in detail to questions from Supervisory Board members. This meeting focused in particular on the audit findings with regard to the defined key audit matters 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 March 20, 2024. With regard to the existing risk early warning system, the auditor stated that the Management Board had taken the measures required by section 91 para. 2 AktG, in particular the establishment of a monitoring system, in an appropriate manner and that the monitoring system is suitable for the early detection of developments that could jeopardize the Company's continued existence. Following its own review, the Supervisory Board concurred with the audit findings of the auditor and raised no objections based on the final results of its own review. The Supervisory Board approved the Annual Financial Statements and the Consolidated Financial Statements for 2023 with a resolution adopted at its meeting on March 20, 2024. The Annual Financial Statements have thus been adopted in accordance with section 172 AktG. At its meeting on March 20, 2024, the Supervisory Board also approved the Remuneration Report adopted by the Management Board.

**Audit of the Management Board's report on relations with affiliated companies**

The Management Board presented its report on relations with affiliated companies (Dependent Company Report) for fiscal year 2023 to the Supervisory Board in good time.

The report prepared by the Management Board about relations with affiliated companies was also audited by the auditor. The following certificate was awarded in this respect:

"On the basis of our statutory examination and evaluation, we can confirm that

1. the factual statements made in the report are accurate,

2. the consideration paid by the Company for the transactions mentioned in the report was not inappropriately high, and

3. those measures detailed in the report give us no grounds to reach a significantly different opinion to that of the Management Board."

The external auditors submitted the Auditor's Report to the Supervisory Board. The Supervisory Board reviewed the Management Board's Dependent Company Report and the Auditor's Report. The Supervisory Board performed the final review at the Supervisory Board meeting held on March 20, 2024. The auditor attended this meeting and reported on his audit of the Dependent Company Report and the main audit results, explained the Auditor's Report, and answered questions from members of the Supervisory Board, also with regard to the Sustainability Report. On the basis of our final examination, we concur with the Management Board's Dependent Company Report and the Auditor's Report and have no objections to the Management Board's declaration at the end of the Dependent Company Report.

The Supervisory Board would like to thank the members of the Management Board and all employees for their continued successful work for the 1&1 Group in the past financial year. We would also like to thank our customers and shareholders for the trust they have placed in the Company.

Montabaur, March 20, 2024

For the Supervisory Board

Kurt Dobitsch

**Members of the Supervisory Board in the fiscal year 2023**

- **Kurt Dobitsch**
  (since October 16, 2017),
  Chairman of the Supervisory Board (since March 16, 2021), Member of the "Audit and Risk Committee" (since May 2021), member of supervisory bodies of various companies

- **Norbert Lang**
  (since November 12, 2015),
  Deputy Chairman of the Supervisory Board (since May 16, 2023) Chairman of the "Audit and Risk Committee" (since May 2021), entrepreneur

- **Matthias Baldermann**
  (since May 26, 2021)
  Member of the "Audit and Risk Committee" (since May 2023), CTO at Hutchison Drei Austria GmbH

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

- **Friedrich Joussen**
  (since May 16, 2023), Independent Advisor

- **Christine Schöneweis**
  (since May 16, 2023), COO Intelligent Enterprise, Solutions (IES), Senior Vice President, SAP SE

# Declaration on Company Management

## Principles of Corporate Governance

As a German public company listed on the stock exchange, the management of 1&1 AG is governed by the relevant statutory regulations and the recommendations and suggestions of the German Corporate Governance Code (the "Code").

The term Corporate Governance stands for responsible corporate management and control geared to sustainable value creation. Efficient cooperation between Management Board and Supervisory Board, respect for stockholder interests, openness and transparency of corporate communications are key aspects of good corporate governance.

The Management Board and Supervisory Board of 1&1 AG regard it as their duty to secure the Company's continued existence and sustainable value creation through responsible corporate governance focused on the long term. Appropriate consideration is given to environmental and social objectives.

In this declaration on company management, the Management Board and Supervisory Board report on the Company's corporate governance (Corporate Governance Report) in addition to the statutory requirements in accordance with section 289f of the German Commercial Code (HGB) for the parent company and section 315d HGB for the Group also in accordance with Principle 22 of the Code.

## Management and corporate structure

In accordance with its legal status, 1&1 AG operates a dual management and monitoring structure comprising two corporate bodies: the Management Board and the Supervisory Board. The third body is the Shareholders' Meeting. All three bodies are committed to serving the Company's interests.

## Management Board

### Working procedures of the Management Board

The Management Board is the body charged with managing the Group's operations. In the fiscal year 2023, it consisted of three persons (namely Mr. Ralph Dommermuth, Mr. Markus Huhn, and Mr. Alessandro Nava). For initial appointments, a term of office of three years is considered. The Supervisory Board assesses on a case-by-case basis as to which term of office within the legally permissible term of appointment appears appropriate. Beyond this, Management Board members are appointed for no longer than five years. The Management Board conducts operations in accordance with its legal and statutory obligations, as well as the rules of procedure adopted by the Supervisory Board, and the corresponding recommendations of the Code – unless deviations are declared pursuant to section 161 of the German Stock Corporation Law (AktG).

The Management Board is responsible for preparing the Interim and Annual Financial Statements as well as for appointing key managers within the Company. In addition, it systematically defines the risks and opportunities for the Company associated with social and environmental factors, as well as the environmental and social impact of the Company's activities, and subsequently assesses these. In addition to long-term economic objectives, the corporate strategy also takes appropriate account of environmental and social objectives. Corporate planning includes both the corresponding financial and sustainability-related targets. Further information on sustainability can be found on the Company's website at https://www.1and1.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 statutory provisions of section 90 AktG and provides the Chairman of the Supervisory Board at least once a month with an oral overview – and at the request of the Chairman of the Supervisory Board also in writing – of the current status of relevant reporting items pursuant to section 90 AktG. The Chairman of the Supervisory Board is thus informed without delay by the Chairman or Speaker of the Management Board, or the Chief Financial Officer, about important events that are essential for assessing the Company’s situation and development, as well as for the management of the Company. Important items also include any substantial deviation from the budget or other forecasts of the Company. The Chairman or Speaker of the Management Board, or Chief Financial Officer, shall also inform the Chairman of the Supervisory Board, in advance where possible otherwise immediately thereafter, about all ad hoc announcements of the Company pursuant to Art. 17 MAR.

There is an age limit of 70 for members of the Management Board. This requirement is currently complied with in full.

The Management Board conducts the Company’s business with joint responsibility and according to common objectives, plans, and policies. Irrespective of the joint responsibility of the Management Board, each member bears responsibility for his assigned division, but is required to subordinate the interests of his assigned division to the overall good of the Company.

Based on a proposal of the Management Board, the Supervisory Board regulates the division of responsibilities in a business distribution plan.

The Management Board members inform each other about important events within their divisions. Matters of greater importance which are not approved in the budget must be discussed and decided by at least two

Management Board members, whereby one of the two Management Board members must be responsible for the Finance division.

Irrespective of their areas of responsibility, all Management Board members constantly monitor those events and data which are crucial for the Company's business development, so they are always able to help avert potential disadvantages or implement desirable improvements and expedient changes by drawing them to the attention of the full Management Board.

The full Management Board resolves on all matters of particular importance and scope for the Company or its subsidiaries and investment companies.

Resolutions are adopted by the full Management Board with a simple majority. Should the vote result in a tie, the Chairman of the Management Board has a casting vote. The resolutions of the Management Board are recorded in the minutes.

The full Management Board generally meets every two weeks and otherwise as required.

Each Management Board member immediately discloses any conflict of interest to the Chairman of the Supervisory Board and the Chairman of the Management Board or Speaker of the Management Board and informs the other Management Board members about it where necessary.

During the reporting period, Mr. Dommermuth, Mr. Huhn and Mr. Nava did not and do not currently hold any supervisory board mandates in other listed companies outside the Group or comparable functions or chair the Supervisory Board in accordance with recommendation C.5 of the German Corporate Governance Code.

### Composition of the Management Board

The Management Board of 1&1 AG comprised the following members in the fiscal year 2023:

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

## Supervisory Board

### Working procedures oft he Supervisory Board

In the fiscal year 2023, the Supervisory Board elected by the Annual Shareholders' Meeting consisted of six members. The members of the Supervisory Board are generally elected for a period of five years.

In accordance with German law, the Company’s articles, its rules of procedure, and the corresponding recommendations of the Code – unless deviations are declared pursuant to section 161 AktG – the Supervisory Board is in regular contact with the Management Board and monitors and advises it regarding the management of business, and the Company’s risk and opportunity management system. This mainly comprises questions relating to the topic of sustainability.

The Supervisory Board meets at regular intervals to discuss with the Management Board all matters of relevance to the Company regarding strategy and its implementation, as well as planning, the development of business, the risk position, risk management, and compliance. Together with the Management Board, it discusses the quarterly statements and half-year reports before publication and approves the annual budgets. These includes detailed sales, cost, and earnings budgets as well as liquidity and annual investment budgets. It examines the Annual Financial Statements of the parent company and the Group and adopts them if it has no reservations. In doing so, it also takes the reports of the Company’s external auditors into account.

The Supervisory Board’s responsibilities also include appointing members of the Management Board, as well as determining and regularly monitoring their remuneration in compliance with the latest legal regulations and recommendations of the Code – unless deviations are declared pursuant to section 161 AktG.

When appointing members of the Management Board, the Supervisory Board strives to achieve the best possible, diverse, and mutually complementary composition for the Company and pays attention to long-term succession planning. Experience and industry knowledge as well as professional and personal qualifications play a particularly important role.

As part of its long-term succession planning, the Supervisory Board, with the involvement of the Management Board, regularly discusses highly skilled executives who could be considered as potential candidates for Management Board positions.

The Supervisory Board conducts regular tests to assess the efficiency of the Supervisory Board as a whole, as well as the efficiency of the Supervisory Board’s Audit and Risk Committee. In accordance with Recommendation D.12 of the Code, the Supervisory Board and its Committee assess how effectively they each perform their duties as a body. For this purpose, a self-assessment by means of questionnaires is conducted every two years or so.

In the fourth quarter of 2023, the Supervisory Board of 1&1 AG conducted a self-assessment for the fiscal year 2023 with the participation of all members and the Chairman of the Supervisory Board. The self-assessment was carried out based on a comprehensive catalog of questions, which included an assessment of the working methods and activities, as well as the size and structure of the Supervisory Board. In addition, an assessment was made of the work with the auditor and interaction with the Management Board and the Group’s departments.

The last self-assessment of the Audit and Risk Committee was conducted and evaluated in the fourth quarter of 2022. The self-assessment was carried out based on a comprehensive catalog of questions, focusing in particular on expectations, time commitment, composition of the Supervisory Board, independence of the Supervisory Board and how it deals with conflicts of interest, Management Board and Supervisory Board remuneration, and accounting matters.

The result of the self-assessment confirms that there is a good and open exchange within the bodies, as well as a trusting and cooperative working relationship with the auditor, the Management Board, and the Company’s departments. This professional cooperation is reflected, for example, in the receipt of well-prepared documents/information, which are always provided appropriately and on time. The results of the assessment are evaluated anonymously and subsequently discussed in a plenary session. Specific suggestions are addressed and implemented during the year as part of the work of the Supervisory Board and Audit and Risk Committee.

Following a thorough evaluation, it can therefore be assumed that the activities of the Supervisory Board and the Committee continue to be performed efficiently.

The members of the Supervisory Board complete the training and further education measures required for their tasks on their own but receive appropriate support in this context from the Company. The measures conducted are detailed in the Report of the Supervisory Board.

The Supervisory Board is convened at least twice every half of a calendar year. Supervisory Board meetings are convened in writing by its Chairman at least 14 days in advance. Further and more detailed information on the exact number of meetings and the topics discussed at these meetings can be found in the Report of the Supervisory Board to the Annual Shareholders’ Meeting of the Company.

When Supervisory Board meetings are convened, the Supervisory Board members are informed of the agenda items. If an agenda item has not been properly announced, a resolution concerning it may only be adopted if no Supervisory Board member objects prior to the vote.

Resolutions of the Supervisory Board are generally adopted at meetings held with physical attendance. However, it is permissible for meetings of the Supervisory Board to be held in the form of a video or telephone conference call or for individual members of the Supervisory Board to be connected by video or telephone call and, in such cases, for resolutions to be adopted or votes to be cast by video or telephone conference call. Meetings are chaired by the Chairman of the Supervisory Board. If so, arranged by the Chairman, resolutions may also be adopted outside of meetings by other means, for example by phone or e-mail, if no member objects to this procedure.

The Supervisory Board has a quorum if all members have been officially invited and at least three members participate in the resolution. A member shall also be deemed to participate in a resolution if he abstains from voting.

Unless the law prescribes otherwise, resolutions of the Supervisory Board are adopted with a simple majority.

Minutes are kept of the Supervisory Board’s discussions and resolutions.

The Chairman of the Supervisory Board is authorized to submit on behalf of the Supervisory Board the declarations of intent required for the implementation of the Supervisory Board’s resolutions.

The Audit and Risk Committee assists the Supervisory Board in its monitoring of accounting practices and the integrity of the accounting process, as well as in monitoring the effectiveness and functionality of the internal control system, the risk management system, the compliance management system, and the internal auditing system. Moreover, it supports the Supervisory Board in monitoring the auditing of the financial statements, the services provided by the auditor, the auditing fees, and the additional services provided by the auditor.

The Audit and Risk Committee closely examines 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 Management Board’s proposal for the allocation of unappropriated profit. It discusses with the Management Board and the auditors the audit reports, the audit process, the audit focus areas, and methodology, as well as the audit results, also with regard to the internal control system relating to the accounting process and makes recommendations to the Supervisory Board. It regularly assesses the quality of the audit. Prior to their publication, it discusses the quarterly statements and the half-year financial report with the Management Board.

The Audit and Risk Committee prepares the negotiations and resolutions of the Supervisory Board for the election proposal of the auditor to the Annual Shareholders’ Meeting and decisions on corporate governance issues, as well as resolving on the approval of related party transactions in accordance with section 111b (1) AktG. There were no such transactions requiring approval in the reporting period.

The Audit Committee discusses with the auditor the assessment of the audit risk, the audit strategy and audit planning, and the audit results. The Chairman or Chairwoman of the Audit Committee regularly discusses current issues relating to the audit and its progress with the auditor, also in the presence of all members of the Audit and Risk Committee. The Audit Committee also consults regularly with the auditor without the presence of the Management Board. A total of eight consultation meetings were held with the auditor in 2023.

The Chairman or Chairwoman of the Audit Committee regularly reports to the Supervisory Board on the activities of the Audit and Risk Committee. In the event of significant occurrences and findings by the Audit and Risk Committee, the Chairman of the Supervisory Board is immediately informed.

## Targets for the composition of the Supervisory Board / status of implementation

The Company's Supervisory Board aims to achieve a composition of the Supervisory Board that enables qualified advice and supervision for the Company's Management Board.

In view of

- the size of the Supervisory Board,
- the business fields 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 targets for its future composition. These consider the statutory requirements both with regard to the requirements placed on individual Supervisory Board members and with regard to the composition of the entire Supervisory Board and – unless expressly stated otherwise – the recommendations of the Code. In particular, a skills profile has been prepared with regard to the overall body.

The Supervisory Board will take these targets into account when making proposals to the Annual Shareholders' Meeting regarding the election of Supervisory Board members and ensure that the respective candidates meet the requirements for fulfilling the skills profile for the overall body. In doing so, the specific situation of the Company must be taken into consideration.

## Requirements for individual members

The Company's Supervisory Board aims to ensure that each Supervisory Board member meets the following requirements:

### General requirement profile

Each member of the Supervisory Board should have the requisite knowledge and experience to enable them to carefully monitor and advise the Company's Management Board and to assess any risks for the Company's business. Moreover, the Supervisory Board will ensure that all its members have a personal profile that enables them to maintain the Company's public reputation.

### Time availability

All members of the Supervisory Board must have sufficient time to exercise their duties with due care throughout the entire period of office. In particular, the members of the Supervisory Board must observe the legal requirements and should follow the Code's recommendations regarding the permissible number of Supervisory Board mandates.

### Conflicts of interest

Supervisory Board members should not engage in any other activities likely to cause frequent conflicts of interest. These include board positions or consultancy work for key competitors, as well as personal relationships with them.

### Age limit for Supervisory Board members

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

## Requirements regarding the composition of the Supervisory Board as a whole

In addition to the individual requirements for Supervisory Board members, the Company's Supervisory Board also strives to reach the following targets for the composition of the Supervisory Board as a whole in line with recommendation C.1 of the Code.

### Skills profile for the Supervisory Board as a whole

The members of the Supervisory Board must collectively have the knowledge, skills, and professional experience necessary for them to carry out their tasks as required. The Supervisory Board strives to ensure that the Supervisory Board as a whole covers the widest possible range 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 sector knowledge and the required skills.

- Expertise or experience from other sectors of the economy.

- Entrepreneurial or operational experience.

- At least one member of the Supervisory Board must have international experience (e.g., in the field of financial engineering, telecommunications, M&A). All members of the Supervisory Board have the corresponding experience and skills and therefore fulfill this target.

- At least one member with expertise in the field of accounting, whereby the expertise in the field of accounting must consist of special knowledge and experience in the use of accounting principles and internal control and risk management systems and must also apply to sustainability reporting.

- At least one additional member with expertise in the field of auditing, whereby the expertise in the field of auditing must consist of special knowledge and experience in the field of auditing and must also apply to the auditing of sustainability reporting.

- Expertise in sustainability issues of significance for the Company.

- Knowledge and experience of strategy development and implementation.

- In-depth knowledge and experience of controlling and risk management.

- Knowledge and experience of HR planning and management.

- In-depth knowledge and experience in the field of governance and compliance.

- Expertise in the needs of capital market-oriented companies.

- The Supervisory Board should not include more than two former members of the Management Board. This target is also met as only Mr. Vlasios Choulidis was a Management Board member and served as

Spokesman of the Management Board prior to his election to the Supervisory Board. Moreover, members of the Supervisory Board should immediately disclose to the Supervisory Board any recent conflicts of interest and step down from the Supervisory Board should these conflicts of interest be permanent in nature. There were no such conflicts of interest in the reporting period.

- Members of the Supervisory Board should retire from the Supervisory Board on expiry of the Annual Shareholders' Meeting that follows their 75th birthday. This target is also met.

- There should be at least one female member of the Supervisory Board. As Ms. Christine Schöneweis is a member of the Supervisory Board, this target is also met.

Diversity
The Supervisory Board aims to ensure that the Supervisory Board is composed of a wide variety of members so that the Supervisory Board as a whole has sufficient diversity of opinion and knowledge. In its nominations, the Supervisory Board will consider the diversity concept – including its target numbers – established by the Company, which is presented in a separate section below.

Independence
The Supervisory Board aims to ensure that – what it believes to be – an appropriate number of at least four of its six members are also independent within the meaning of the criteria set out in the recommendations of the Code.

The Supervisory Board once again addressed the above objectives for its composition during the reporting year. In particular, it discussed them with regard to the skills profile for the full Supervisory Board. It also adhered to them and further expanded them. The Supervisory Board strives to fulfill the skills profile it developed for the Supervisory Board as a whole.

## Composition of the Supervisory Board

The Supervisory Board of 1&1 AG comprised the following members in the fiscal year 2023:

- **Kurt Dobitsch**,
  Chairman of the Supervisory Board
  (Supervisory Board member since 16 October 2017, chair since 16 March 2021 and member of the Audit and Risk Committee since May 2021) Member of supervisory bodies of various companies

- **Norbert Lang**
  Deputy Chairman of the Supervisory Board since May 2023

(Supervisory Board member since 12 November 2015, since 16 May 2023 Member of the Audit and Risk Committee since May 2021), Entrepreneur

- **Matthias Baldermann**
  (Supervisory Board member since 26 May 2021 and member of the Audit and Risk Committee since May 2023), CTO at Hutchison Drei Austria GmbH

- **Vlasios Choulidis**
  (Supervisory Board member since 12 January 2018), Entrepreneur

- **Friedrich Joussen**
  (Supervisory Board member since 16 May 2023), Independent Advisor

- **Christine Schöneweis**
  (Supervisory Board member since 16 May 2023), COO Intelligent Enterprise, Solutions (IES), Senior Vice President, SAP SE

## Departed in the fiscal year 2023

- **Dr. Claudia Borgas-Herold**

  (from January 2018 to May 2023)

- **Kai-Uwe Ricke**

  (from October 2017 to May 2023)

## Skills matrix:

| | | Kurt Dobitsch | Friedrich Joussen | Matthias Baldermann | Christine Schöneweis | Vlasios Choulidis | Norbert Lang |
|---|---|---|---|---|---|---|---|
| **Length of membership** | Member since | 2017 | 2023 | 2021 | 2023 | 2018 | 2015 |
| **Age limit (75)** | Year of birth | 1954 | 1963 | 1965 | 1976 | 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 suitability** | Telekommunications sector | ✓ | ✓ | ✓ | | ✓ | ✓ |
| | Media and / or IT sector | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | Expertise / experience in other sectors | ✓ | ✓ | | ✓ | | ✓ |
| | Entrepreneurial or operational experience | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | Use of accounting principles, internal control & risk management systems, incl. sustainability reporting | ✓ | | | | | ✓ |
| | Auditing of financial statements, incl. auditing of sustainability reporting | ✓ | | | | | ✓ |
| | Expertise in sustainability issues of importance to the Company | ✓ | ✓ | | ✓ | | |
| | Strategy development and implementation | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | Controlling and risk management | ✓ | | | ✓ | ✓ | ✓ |
| | HR planning and management | ✓ | | | ✓ | | ✓ |
| | Governance and compliance | ✓ | ✓ | | ✓ | | ✓ |
| | Expertise regarding the needs of capital market-oriented companies | ✓ | | | | ✓ | ✓ |
| **International experience** | E.g., several years of work abroad or operational experience in an internationally active company (e.g., in the field of financial engineering, telecommunications, M&A) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

As a former member of the Management Board of United Internet AG, the Chairman of the Audit Committee, Mr. Norbert Lang, has extensive expertise in the areas of accounting and auditing, including sustainability reporting and its audit. With regard to accounting, his expertise in these areas consists, in particular, of special knowledge and experience in the application of international and national accounting principles and internal control and risk management systems, and with regard to auditing due to his special knowledge and experience in the auditing of annual financial statements.

As a further member of the Audit Committee, Mr. Kurt Dobitsch has extensive expertise in the areas of accounting and auditing, including sustainability reporting and its audit, due to his many years of experience as the former Vice President Europe of Compaq Computer Corporation, as the former Managing Director of Access Computer GmbH, and as the Chairman of the Supervisory Board of 1&1 AG. With regard to accounting, his expertise in these areas consists in particular of special knowledge and experience in the application of international and national accounting principles and internal control and risk management systems, and with regard to auditing due to his special knowledge and experience in the auditing of annual financial statements.

In addition to taking these objectives into account and endeavoring to meet the skills profile for the entire body, the Supervisory Board's proposals for the election of Supervisory Board members shall continue to be oriented towards the welfare of the Company as a whole. In doing so, the specific situation of the Company is to be taken into consideration.

Subject to the formation of short fiscal years, the current term of office of the Supervisory Board members ends on expiry of the Annual Shareholders' Meeting of this year.

## Targets for the share of women on the Supervisory Board, Management Board, and in management positions / implementation status

The "Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector" (FüPog) and the "Act to Supplement and Amend the Regulations on the Equal Participation of Women in Leadership Positions in the Private and Public Sector" (FüPog II) have amended the German Stock Corporation Act and a number of other laws.

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

- Setting of targets by the Supervisory Board for the share of women on the Supervisory Board of 1&1 AG.

- Setting of targets by the Supervisory Board for the share of women on the Management Board of 1&1 AG

- Setting of targets by the Management Board for the share of women on the first and second management levels of 1&1 AG

The following targets are to be set for a period of no more than five years.

After careful examination, the Supervisory Board and Management Board of 1&1 AG adopted the following:

- The Supervisory Board set the deadline for achieving the current targets for the proportion of women on the Supervisory Board and Executive Board to the end of the Annual General Meeting that decides on the discharge of the Supervisory Board for the fiscal year 2027 financial year (probably May 2028. A new Supervisory Board will be elected at this Annual Shareholders' Meeting.

- For the Supervisory Board currently elected by the Annual Shareholders' Meeting, the target of "16.66%" will be maintained (section 111 (5) AktG). The Supervisory Board currently comprises one woman and five men.

- For the Management Board, the target of "0" will be maintained. The Management Board is currently composed exclusively of men. No personnel changes or increases in the size of the Management Board are planned or foreseeable. The Supervisory Board believes that the goal pursued by German lawmakers of increasing the proportion of women is secondary to the Company's interest in the continuation of the successful work of the established Management Board members and a Management Board size which is in line with the Company's needs (section 111 (5) AktG).

- Irrespective of this, the selection shall always be made according to the individual skills profile of the potential board members, whereby the Supervisory Board shall endeavor to give preference to women in the case of equal qualifications.

- With regard to the share of women on the Supervisory Board and Management Board, the Supervisory Board reserves the right to resolve again on the target should there be any indication of a new appointment.

- The Management Board has set a target of 50% for the share of women on the first and second management levels below the Management Board (section 76 (4) AktG). As for the two targets for the Supervisory Board and the Management Board, the Management Board has set the deadline for achieving or maintaining this target as the expiry of the Annual Shareholders' Meeting that decides on the discharge of the Supervisory Board for the fiscal year 2027 (May 2028).

The Supervisory Board and Management Board of 1&1 AG currently regard the stated targets for the Supervisory Board and Management Board as having been met without exception. Due to organizational changes during the fiscal year, the first two management levels below the Management Board fell short of the specified target at times.

## Diversity concept (§§ Sections 289f (2) no. 6, 315d HGB)

Diversity aspects are always considered in the composition of the Management Board and the Supervisory Board. The Company considers diversity to be not only desirable, but also crucial to the success of the Company. The Company therefore pursues an appreciative corporate culture in which individual diversity in terms of culture, nationality, gender, age group, educational or professional background, and religion is desired and equal opportunities – irrespective of age, disability, ethnic and cultural origin, gender, religion and ideology, or sexual identity – are promoted.

The Company aims to ensure that the Management Board and Supervisory Board are composed of many different types of people and that the bodies have a sufficiently wide variety of opinions and knowledge.

In particular, the following criteria should be taken into account:

- The members of the Management Board and Supervisory Board should complement each other within their respective committees about their experience, education, and professional background in order to develop a good understanding of the current status and the longer-term opportunities and risks associated with the Company's business activities.

- Regarding the gender quota, the Management Board and Supervisory Board have each set a target figure for the reference period until the end of the Annual Shareholders' Meeting in 2028, which will decide on the discharge of the Supervisory Board for the fiscal year 2027. The Supervisory Board currently consists of one woman and five men. In principle, both genders should be treated equally according to their qualifications.

- With the exception of the age limits of 70 and 75, as stipulated in B.5 and C.2 of the Code, no differentiation is made according to age for the members of the Management Board and Supervisory Board, and the sole differentiation should be according to the required knowledge and experience.

- In view of the current size of the Management Board and Supervisory Board, consisting of just three and six members respectively, no targets have been set about geographical origin. To ensure international experience, the Supervisory Board already stipulates that at least one member of the Supervisory Board should have several years of experience abroad or have gained operational experience with an internationally active company.

Individual strengths – in other words, everything that makes individual employees unique and distinctive within the Company – made it possible for the Company to become what it is today. A workforce comprising a wide variety of personalities offers the best possible conditions for creativity and productivity - and thus also for employee satisfaction. The resulting potential for ideas and innovation strengthens the Company's competitiveness and increases its opportunities in future markets. The aim is not only to find the field of activity and the function for each employee in which their individual potential and talents are best utilized, but also to ensure diversity in the composition of the Management Board and Supervisory Board – in the Company's own interests – with regard to age, gender, and professional experience, for example.

The Supervisory Board has determined that the entirety of the relevant statutory and self-imposed provisions for its composition (targets for composition, skills profile, statutory target for the proportion of women, age limit, and the other provisions outlined above) should be regarded as a diversity concept within the meaning of section 289f (2) no. 6 HGB.

The Company does not consider diversity targets that go beyond this with additional or more specific criteria to be appropriate. In view of the current size of the Management Board and Supervisory Board, more or more specific diversity aspects would create considerable difficulties to fill the positions considering all diversity criteria.

The members of the Management Board and Supervisory Board believe that the diversity concept for the Management Board and Supervisory Board is currently fulfilled.

## Annual Shareholders' Meeting

The Annual Shareholders' Meeting is the body which formulates and expresses the interests of the shareholders of 1&1 AG. At the ordinary Annual Shareholders' Meeting, the Annual Financial Statements of the parent company and Consolidated Financial Statements are presented to the shareholders. The shareholders decide on the allocation of the unappropriated profit and vote on resolutions concerning other statutory topics, such as releasing the Management Board members from their responsibility for the past fiscal year and appointing external auditors. Each share entitles the owner to one vote. All shareholders who register in time are entitled to attend. Shareholders may also exercise their rights at the Annual Shareholders' Meeting by means of a proxy vote. The Company provides a proxy who votes according to the shareholder’s instructions, providing he receives the required order.

## Governance functions

At 1&1 AG, governance functions are part of an integrated “GRC” organization which comprises the Corporate Governance, Risk Management, Internal Control System, and Corporate Compliance functions. The Chief Financial Officer (CFO) of 1&1 AG is responsible for all GRC functions.

## Compliance

In order to ensure compliance with legal and internal regulations, the Management Board of 1&1 AG has implemented a Group-wide risk-oriented Compliance Management System (CMS), whose primary objective is to avoid or at least minimize actual violations and corresponding risks. Actual violations are to be uncovered, remedied and – depending on their severity – sanctioned. At the heart of this system is a central Code of Conduct. This Code of Conduct applies to all members of executive bodies and employees of 1&1 AG and ensures that the value system is practiced consistently and continuously at a broad level.

The Compliance department is responsible for the specific design of the CMS. In certain operating divisions, such as HR, the Compliance department is supported by functional compliance managers.

The overarching objective of all compliance activities is to prevent compliance violations. This objective is achieved by taking appropriate measures in line with the Company's risk situation and in accordance with the three-level approach of "Prevent", "Detect", and "Respond". The main topics are the prevention of corruption, policy management, the establishment of confidential reporting channels and the protection of whistleblowers.

The main elements of the CMS are described in detail in 1&1 AG's Sustainability Report.

## Internal Control System and Risk Management System

To secure the long-term corporate success of 1&1 AG, it is essential to effectively identify and analyze the risks involved in all business activities across the Group and to eliminate or limit them by means of suitable control measures. The Internal Control System and Risk Management System (CMS) ensure that risks are handled responsibly. In particular, they are designed to identify, assess, manage, and monitor risks throughout the Group at an early stage. The systems are continuously refined and adapted to changing circumstances. The Supervisory Board is regularly informed by the Management Board about existing risks and how they are being dealt with, as well as about the effectiveness of the internal controls. The appropriateness and effectiveness of the Internal Control System and the Risk Management System were assessed by the Supervisory Board in its entirety.

The main features of the Internal Control System and the Risk Management System with regard to the accounting process of the Company and the Group are described in detail in the Combined Management Report for the Company and the Group in accordance with sections 289 (4) and 315 (4) HGB. The Management Board also reports there in detail on existing risks and their development.

## Financial disclosures / Transparency

It is the declared aim of 1&1 AG to inform institutional investors, private shareholders, financial analysts, employees, and the public simultaneously and with equal treatment about the Company's situation by means of regular, open, and up-to-date communication.

To this end, all important information, such as press releases, ad-hoc announcements, and other mandatory disclosures (e.g., directors' dealings and notifications of voting rights), as well as all financial reports, are published in accordance with statutory regulations. In addition, 1&1 AG provides extensive information on its corporate website (www.1und1.ag), where documents and information on Annual Shareholders' Meetings and other economically relevant facts can be found.

1&1 AG provides shareholders, analysts, and the press with four reports each fiscal year on the Company’s business development and its financial and earnings position. The publication dates of these reports are stated in a binding financial calendar, which the Company posts on its website and regularly updates in accordance with legal obligations.

The Management Board also provides immediate information in the form of ad-hoc announcements about any events not known to the public which might significantly affect the share price.

As part of its investor relations activities, the Company’s management team regularly meets with analysts and institutional investors. We also hold analyst conferences to announce our semi-annual and annual figures, which investors and analysts can also participate in via telephone.

## Accounting and auditing

The Group’s accounts are drawn up according to the principles of the International Financial Reporting Standards (IFRS, as applicable in the EU) with consideration of section 315e HGB. However, the Annual Financial Statements of the parent company 1&1 AG – relevant for all dividend and tax matters – are drawn up according to the rules of the German Commercial Code (HGB). The Annual Financial Statements and the Consolidated Financial Statements are audited by independent auditors. The respective auditing company is selected by the Annual Shareholders' Meeting. The Supervisory Board issues the auditing mandate, determines auditing focal points, approves the auditing fee, and examines the independence of the auditors.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft has audited the Annual Financial Statements of 1&1 AG and the Group since the fiscal year 2022. Mr. Erik Hönig is the auditor responsible.

## Remuneration of Management Board and Supervisory Board

Remuneration for members of the Management Board and Supervisory Board is presented in a detailed Remuneration Report for the fiscal year 2023 in accordance with section 162 AktG, together with the corresponding Auditor’s Report, and is accessible on the Company’s website at www.1und1.ag/corporate-governance#verguetungsbericht. The Annex to this Remuneration Report contains a detailed description of the current remun eration system in accordance with section 87a (1) and (2) sentence 1 AktG, as well as the most recent remuneration resolution adopted by the Annual Shareholders' Meeting in accordance with section 113 (3) AktG. Information on Management Board and Supervisory Board remuneration can also be found in the Notes to the Consolidated Financial Statements for the fiscal year 2023 under Note 42.

## Stock option programs

The main features of the employee stock option program of 1&1 AG can be found in the "Remuneration Report2023", which is published on the company's website at www.1und1.ag/corporate-governance#verguetungsbericht. Further information can also be found in the Notes to the Consolidated Financial Statements under Note 37.

## Declaration of conformity with regard to the recommendations of the German Corporate Governance Code in accordance with section 161 German Stock Corporation Act (AktG)

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

The aim of the Code is 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 recognized nationally and internationally as standards of good and responsible corporate governance. It aims to promote the trust of investors, customers, employees and the public in the management and supervision of German listed companies. The Government Commission reviews the Code annually to ensure that it continues to reflect current best practice in corporate governance and amends it where necessary.

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

**Recommendations** of the Code are indicated in the text by the use of the word "**shall**". The companies can deviate from this but are then obliged to disclose this annually and justify the deviations ("comply or explain"). This allows companies to take into account industry or company-specific features. A well-founded deviation from a Code recommendation can be in the interests of good corporate governance.

Finally, the Code contains **suggestions** that can be deviated from without disclosure; the Code uses the term "**should**" for this purpose.

On December 18, 2023, the Management Board and Supervisory Board of 1&1 AG issued the following updated annual declaration of conformity in accordance with Section 161 AktG and subsequently published it on the company's website (www.1und1.ag) and in the Federal Gazette.

The Management Board and Supervisory Board of 1&1 AG declare in accordance with Section 161 of the German Stock Corporation Act:

The Management Board and Supervisory Board of 1&1 Aktiengesellschaft declare that 1&1 Aktiengesellschaft has complied with the recommendations of the German Corporate Governance Code ("Code") in the current version dated April 28, 2019, which became effective upon publication in the Federal Gazette on June 27, 2022 and on which the last Declaration of Conformity dated December 5, 2022 was based, with the exceptions declared therein, and will continue to comply with the recommendations of the Code in the future, with the following exceptions:

### Recommendation D.4 Formation of a nomination committee

The Supervisory Board does not form any other committees in addition to the Audit and Risk Committee but performs all other tasks as a whole. The Supervisory Board considers this to be appropriate, as efficient plenary discussions and an intensive exchange of opinions are possible even with a six-member Supervisory Board. Accordingly, the Supervisory Board sees no need to establish a Nomination Committee.

### Recommendations G.1 to 5 Management Board remuneration – Remuneration system

Taking into account the Act Implementing the Second Shareholders' Rights Directive ("ARUG II") and the new German Corporate Governance Code (the "Code"), the Supervisory Board developed and agreed changes to the remuneration system for members of the Management Board.

With the recommendation to the Annual Shareholders' Meeting in May 2021, the remuneration system became the basis for service agreements with Management Board members concluded in the future. The remuneration system for members of the Management Board considers the recommendations in G.1 to G.5 inclusive without any restrictions. Service agreements with Management Board members which were already in place when the remuneration system was approved remain unaffected by its provisions. This explains the deviation from the recommendations in G.1 up to and including G.5 of the Code.

### Recommendation G.10 Management Board remuneration – Long-term variable remuneration

According to G.10 of the Code, the variable remuneration components granted to members of the Management Board should be awarded primarily in the form of Company stock or on the basis thereof. Moreover, any such grants to members of the Management Board should be subject to a blackout period of four years. Share-based remuneration is awarded in the form of the Stock Appreciation Rights (SARs) plan as a long-term remuneration program for the Management Board. The term of this plan totals six years. Within this period of six years, a Management Board member can exercise a portion (25%) of the SARs awarded at certain points in time — at the earliest, however, after two years. This means that a Management Board member can already obtain a part of the long-term variable remuneration after a period of two years. The total amount of SARs can only be fully exercised for the first time after 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 plan. The Supervisory Board believes that by linking the plan to the share price of 1&1 AG and the Company's possibility to issue shares to satisfy entitlements from the plan, Management Board members already participate appropriately in the risks and opportunities of 1&1 AG. Since the plan has been designed with a term of six years and the SARs awarded are allocated proportionately over this term and at the earliest after two years, the Supervisory Board is of the opinion that the plan is ideally suited to achieving the desired retention and incentive effect in the interest of 1&1 AG and that no changes are required.

### Recommendation G.11 Management Board remuneration – Retaining/Reclaiming variable remuneration

According to G.11 of the Code, the Supervisory Board shall have the possibility to withhold or reclaim variable remuneration in justified cases. The current service agreements of the Management Board members do not contain such provisions. A so-called claw-back clause for the reclaim of variable compensation was included in the new remuneration system and in future will be taken into account in new service agreements to be concluded with Management Board members.

### Recommendation G.13 Management Board remuneration – Benefits on contract termination

According to G.13 of the Code, any payments made to Management Board members due to early termination of their Management Board activity shall not exceed twice the annual remuneration and shall not constitute remuneration for more than the remaining term of the employment contract. If post-contractual non-compete clauses apply, such severance payments shall be taken into account in the calculation of any compensation payments. The current service agreements of Management Board members do not include an option to take this into account. This was included in the new remuneration system and in future will be considered in new service agreements to be concluded with Management Board members (and any related termination agreements).

# Consolidated Management Report for the Company and the Group

# 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 the Group

## 1.1 Business model

### 1&1 Group

1&1 Group, together with 1&1 Aktiengesellschaft, Montabaur, the listed parent company (hereinafter: "1&1 AG" or, along with its subsidiaries, "1&1" or "Group"), is a telecommunications provider that operates in Germany and operates its own mobile communications network.

### 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. In addition, 1&1 Mobilfunk GmbH and 1&1 Towers GmbH are responsible for setting up and operating the mobile communications network.

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 GmbH
  - Drillisch Logistik GmbH

**Business activities**

1&1 holds more than 16,26 million contracts in the broadband and mobile product areas and has been operating a functional, innovative mobile network since 8 December 2023.

The Group is managed via two business segments, Access and 1&1 Mobile Network. 1&1's Access segment offers internet access products based on landline and mobile networks. The 1&1 Mobile Network segment is responsible for the operation and ongoing expansion of the mobile communications network.

**„Access"segment**

The Group's chargeable mobile internet and broadband products, including the related applications (such as home networks, online storage, telephony, smart home or IPTV), are grouped together in the segment "Access". 1&1 uses the landline network of its affiliate 1&1 Versatel GmbH, which, like 1&1, belongs to the United Internet AG Group, and can also market regional networks and broadband household lines from city carriers and Deutsche Telekom pursuant to an agreement with 1&1 Versatel. The complete packages provided by 1&1 Versatel are supplemented with devices, own developments of applications and services to create an extended portfolio that sets the Company apart from its competitors.

Since the launch of mobile services in the 1&1 mobile network, the operating companies in the "Access" segment has been purchasing wholesale services for new customers from their own network. Wherever 1&1 does not yet have sufficient network coverage itself during the construction of the network, 1&1 utilises national roaming wholesale services from Telefónica. These national roaming wholesale services will be obtained from Vodafone from October 2024 at the latest.

Until the launch of mobile services in its own network, 1&1 had access to Telefónica's mobile network in Germany (so-called Mobile Bitstream Access Mobile Virtual Network Operator = MBA MVNO) and utilised capacities of other wholesale providers — e.g. the Vodafone mobile network. The successive migration of these customers to the 1&1 mobile network commenced at the beginning of 2024.

The Access products are marketed under well-known brands such as 1&1, WinSim or Sim.de, each of which addresses specific target groups on the market so that 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.

## 1&1 Mobile Network segment

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.

Upon the launch of mobile services in the 1&1 mobile network on 8 December 2023, 1&1 became one of today's four mobile network operators in Germany.

1&1 is the first network operator in Europe to rely entirely on the new Open RAN technology. At the heart of 1&1's network is a private cloud that is operated in hundreds of cities and features local edge data centres. All network functions are controlled by software running on conventional servers. At all antenna locations, 1&1 plans to use gigabit antennas, that are connected via fibre optic to the 1&1 edge data centres. This network architecture features minimal latency, which is essential for future real-time applications.

The 1&1 mobile network uses the 5G frequencies acquired in 2019 in the 2 GHz and 3.6 GHz bandwidths. 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.

The creation and operational startup of the 1&1 mobile network were achieved in cooperation with experienced and competent service providers. The Japanese technology group and proven Open RAN expert Rakuten is serving as the general contractor and contributing its experience from the construction of the world's first mobile network based on Open RAN technology. Together, we are creating Europe's first fully virtualised mobile network based on the innovative Open RAN 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 and its partners initiated operation of the first antennas and data centres in 2022. The 1&1 mobile network was launched on 28 December 2022 and was initially available in the vicinity the antenna locations as an alternative to landline, cable internet or fibre optic connections. With the connection of mobile services on 8 December 2023 and the national roaming agreed with Telefónica, the network is now fully operational.

### Wesentliche Standorte

| Site | Activity Focus | Company |
|---|---|---|
| Maintal | IT | IQ-optimize Software GmbH |
| | Customer Service, Product Marketing, New Customer Sales | Drillisch Online GmbH |
| Krefeld | Customer Service, Finance | Drillisch Online GmbH |
| | IT | IQ-optimize Software GmbH |
| Düsseldorf | Netzbetrieb | 1&1 Mobilfunk GmbH |
| | Finance, ESG | 1&1 Mobilfunk GmbH, 1&1 Telecom GmbH, 1&1 Telecommunication SE |
| 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 3,255 (previous year: 3,163) was employed at 1&1 Group in financial year 2023.

## 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 growing number of customer relationships helps the Company to exploit economies of scale; the more customers demand products, the more effectively 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 together 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, WinSim and Sim.de); and to the existing customer contract relationship with more 16.3 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.

The operation of its own 1&1 mobile network decreases 1&1's dependence on access to third-party networks, increases its own added value and opens up opportunities to develop new business areas. 1&1's decision to employ the novel and innovative Open RAN technology indicates the Company's desire to set itself apart from the competition 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. The 1&1 mobile network is also excellent prepared for edge computing applications.

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 in its operations, 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" in section 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, the comparable operating consolidated EBITDA based on IFRS (earnings before interest, taxes, depreciation and amortisation, adjusted for extraordinary factors) and the cash capex (expenditures for investments). Moreover, actions of Company management include consideration of non-financial indicators, in particular the number of, and growth in, contracts subject to charge. Use and definition of relevant financial performance indicators can be found under point 2.2.

Due to its role as a holding company, 1&1 AG (individual company) is mainly influenced by the investment result (profit transfers and distributions) and the interest result and focusses on its investment result and the annual result.

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.

A comparison between the key performance indicators stated in the forecast and the actual values of these key performance indicators can be found in section 2.2 "Business performance" under "Actual and forecast business performance". Further information on business development in the 2023 financial year can be found in section 2.3 "Position of the Group" in the section "Overall statement on business development“.

# 1.4 Innovations

## 1&1 mobile network — the state-of-the-art network in Europe

Aspiring to make a difference on the German mobile communications market, 1&1 is building Europe's most modern mobile communications network. This aspiration is behind 1&1's decision to become the first network operator in Europe to rely entirely on the innovative Open RAN technology. 1&1 Open RAN creates a globally innovative mobile communications network that fully utilises the potential of 5G. The vision: A driver of innovation, 1&1 wants to actively shape the future of mobile communications and contribute to Germany's preparations for real-time applications.

At the heart of the 1&1 network is a private cloud in over 500 local edge data centres connected by fibre optics to gigabit antennas. Unlike conventional mobile networks that locate their intelligence primarily in hardware at the antenna locations, all functions in the 1&1 Open RAN are located in our private cloud and controlled by software. All network functions are controlled by software that runs on conventional servers such as those found in every data centre. Specially developed orchestration software ensures a high level of automation. Complex conversions to the base stations resulting from innovation cycles can be realised cost-effectively and efficiently with the help of software updates.

Unlike traditional network architectures, which are often provided by only one manufacturer, the 1&1 Open RAN has standardised interfaces enabling that allow 1&1 to work flexibly with the most secure and best equipment suppliers on the market.

Four core data centres, 24 decentralised data centres and over 500 edge data centres are being created in the 1&1 Open RAN. They are connected to the 1&1 antenna sites via fibre optic cables over distances not exceeding ten kilometres. Solely gigabit antennas mounted on slim antenna masts are used in the 1&1 Open RAN. Applications running in the network benefit from extremely short transmission paths, rendering the 1&1 Open RAN ready for real-time applications without any further adaptations.

The virtualisation of network functions and the strict separation of antennas and control units enable the efficient operation of the 1&1 Open RAN by pooling resources in the edge data centres. Moreover, the computing capacities can be adapted to different utilisation requirements over time. Only standard hardware is used in the 1&1 data centres - here 1&1 can flexibly rely on the most efficient server generation.

Independence from dominant network equipment suppliers is one of the key advantages of Open RAN technology. Unlike traditional networks, which are based on proprietary technology from specialized network suppliers such as Huawei, the 1&1 Open RAN has a large number of standardized interfaces. The consequence is that software and hardware components from the most innovative and secure providers can be flexibly combined with one another, and 1&1 remains independent of dominant equipment suppliers such as HUAWEI. Products and services from more than 80 companies are already being used today, creating a new digital ecosystem alongside 1&1 Open RAN.

## 1&1 Open RAN fulfils the highest security standards

The security and reliability of mobile communications is a top priority for 1&1. The 1&1 Open RAN satisfies the highest security standards. 1&1 is the only network operator in Germany to have bypassed controversial manufacturers (from China, for example) from the outset.

In collaboration with its equipment partners, 1&1 has carried out extensive risk analyses and introduced an ISO27001-certified security management system, which is implemented in the private cloud in over 500 data centres. Open RAN offers the inestimable advantage of standardisation, which secures 1&1's independence from specific manufacturers.

In November 2021, the German Federal Office for Security and Information Technology (BSI) published a detailed risk analysis on the security of Open RAN mobile networks. The study examines the question of what security risks arise from the Open RAN implementation of a 3GPP RAN specified by the Open RAN Alliance. The 1&1 Open RAN meets all aspects of the BSI's security recommendations from the outset and 1&1 remains in regular contact with the authority.

## Member of the international O-RAN Alliance

The international O-RAN Alliance does important work in establishing secure O-RAN standards, developing open software and supporting members during testing and O-RAN implementations.

The aim is to direct the industry towards intelligent, open, virtualised and fully interoperable mobile communications networks. The members of the O-RAN Alliance also include Germany's established network operators and leading equipment suppliers and research institutes. Security in Open RAN networks is intensively analysed and continuously developed in the Alliance's expert committees. As it is a member of the O-RAN Alliance, 1&1 has full access to the analysis results and reports.

# 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 2023 slightly upwards during the year. In its latest economic outlook (World Economic Outlook, Update January 2024), the IMF reported that provisional calculations indicated a plus of 3.1 percent for the global economy in 2023. Growth was below the previous year's level (3.5 percent), but also 0.2 percentage points above the original IMF forecast of January 2023 (2.9 percent).

Economic development in Germany lagged significantly behind the previous year as well as behind the original expectations of the IMF. The IMF has determined a decline in economic output for Germany of -0.3 percent (previous year: 1.8 percent), -0.4 percentage points lower than expected at the beginning of the year (0.1 percent).

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 2023" on 15 January 2024 — concluded that (price-adjusted) gross domestic product (GDP) fell by -0.3 percent, a drop of 2.1 percentage points over 2022 (1.8 percent). According to the Federal Statistical Office, this was due to the continuing high prices at all levels of the economy caused by inflation, unfavourable financing conditions due to increased interest rates and lower overall demand from Germany and abroad.

#### Changes in growth forecasts during 2023

| | January Forecast 2023 | April Forecast 2023 | July Forecast 2023 | October Forecast 2023 | Actual 2023 | Deviation from January Forecast |
|---|---|---|---|---|---|---|
| World | 2.9% | 2.8% | 3.0% | 3.0% | 3.1% | + 0.2 percentage points |
| Germany | 0.1% | -0.1% | -0.3% | -0.5% | -0.3% | -0.4 percentage points |

Source: International Monetary Fund, World Economic Outlook (Update), January 2024

**Multi-period overview: GDP development**

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| World | 2.8% | -3.1% | 6.2% | 3.5% | 3.1% |
| Germany | 0.6% | -4.6% | 2.6% | 1.8% | -0.3% |

Source: International Monetary Fund, World Economic Outlook (Update), January 2024

## Development of the industry/core markets

As announced during its annual press conference on 10 January 2024, the industry association Bitkom presumed growth for the German ICT market of 2.0 percent (previous year: 6.8 percent) to €215.0 billion for the year 2023. At the beginning of 2023, the association had assumed revenue growth of 3.8 percent for 2023. Nevertheless, the digital sector once again proved to be highly robust, even under difficult economic conditions characterised by geopolitical crises and budget cuts, disrupted supply chains and a shortage of skilled workers.

The rise in the overall ICT market is due in particular to strong revenue increases in information technology. According to BITKOM's 2023 forecast, sales in this largest submarket increased by 2.2 percent (previous year: 8.7 percent) to €142.9 billion in comparison to the growth of 6.3 percent expected at the beginning of 2023. The segments of the submarket developed quite differently. The software segment grew by 9.6 percent (previous year: 15.0 percent) and IT services by 5.1 percent (previous year: 8.5 percent) while the IT hardware segment initially fell by -5.4 percent (previous year: 4.8 percent) as a consequence of the overproportionally high level of investments during the pandemic.

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 1.7 percent in 2023 (previous year: 3.4 percent) to €72.1 billion in comparison with growth of 0.9 percent forecast at the beginning of 2023. Developments of the various segments within the telecommunications market varied quite significantly as well. The infrastructure business (driven by the 5G network expansion) grew by 4.4 percent (previous year: 14.2 percent) and telecommunications services by 1.9 percent (previous year: 2.1 percent) while devices declined by -0.7 percent (previous year: 2.4 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. With an expected increase of 0.2 million or 0.5 percent in new connections in 2023 to 37.0 million, the number of new connections remained at a moderate level. This was the conclusion reached by the Association of the

Providers of Telecommunications and Added-value Services (VATM) and Dialog Consult in their joint "25th TC Market Analysis Germany 2023" [25. TK-Marktanalyse Deutschland 2023] (November 2023).

The lines currently relevant for 1&1 in the two technology sectors DSL and FTTB/FTTH (fibre optic) developed very differently. DSL lines in Germany declined by 0.4 million to 24.3 million while at the same time fibre optic lines increased by 0.8 million to 4.2 million. The number of cable connections also fell by 0.2 million to 8.5 million in 2023.

According to estimates by Dialog Consult/VATM, revenues generated in the landline business in 2023 were unchanged from the previous year at €32.6 billion. The aforementioned revenue figures include inter alia wholesale, interconnection and device revenues in addition to the 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 16.1 percent to 320.9 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 (download) speeds of at least 50 Mbit/s rose by 3.2 percentage points from 58.7 percent in the previous year to 61.9 percent (of all broadband lines) in 2023. Landlines with download speeds of at least 250 Gbit/s increased even more strongly, growing by 5.1 percentage points to a share of 23.0 percent (of all broadband lines).

### Market key figures: Landline network in Germany

| | 2023 | 2022 | Change |
|---|---|---|---|
| Landline revenues (in €bn) | 32.6 | 32.6 | 0.0% |

Quelle: Dialog Consult / VATM, TK-Marktanalyse Deutschland 2023, November 2023

### Mobile internet market in Germany

According to estimates from Dialog Consult/VATM, the number of active SIM cards on the German mobile communications market increased by 12.9 million (7.6 percent) to 181.9 million in 2023. The growth results from the so-called M2M SIM cards (machine-to-machine SIM cards), which are used, for example, for the automated exchange of information among machines, vending machines, vehicles etc. and/or with a central control centre and which increased by 12.0 million to 70.3 million. The number of personal SIMs rose only slightly by 0.5 million to 104.9 million — an indication congruent with the figures for recent years that the market is largely saturated.

According to estimates from Dialog Consult/VATM, total revenues on the German mobile market increased by 0.4 percent from €27.5 billion to €27.6 billion in 2023 (including interconnection, wholesale and device revenues). Service revenues increased by 1.0 percent to €21.1 billion while Other revenues (which include interconnection, wholesale and device revenues) declined by 3.0 percent to €6.4 billion.

According to forecasts by Dialog Consult/VATM, the average data volume consumed per line and month rose by 22.1 percent to 6.57 GB, a rate much faster than the number of active personal SIM cards and mobile revenues and a sign of the increasing use of mobile data services.

### Market key figures: Mobile service in Germany

| | 2023 | 2022 | Change |
|---|---|---|---|
| Mobile revenues (in €bn) | 27.6 | 27.5 | + 0.4% |
| Service revenues (in €bn) | 21.1 | 20.9 | + 1.0% |

Source: Dialogue Consult/VATM, TK-Marktanalyse Deutschland 2023, November 2023

## General legal conditions/Major events

The general legal conditions for 1&1's business activities remained essentially constant in financial year 2023 compared to financial year 2022 and had no significant impact on the business development of 1&1 Group.

### General legal conditions

The future success of 1&1 as a mobile network operator depends, among other factors, on the future allocation of mobile frequencies. During the Federal Network Agency's frequency auction in 2019, 1&1 purchased 5G frequencies in the 2 GHz and 3.6 GHz bandwidths. The frequency blocks in the 3.6 GHz bandwidth are already available and are used in the operation of the mobile network while the frequencies in the 2 GHz bandwidth will become available in 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.

If it is to be able to operate its mobile network competitively and efficiently, 1&1, like every other mobile network operator, requires so-called low-band frequencies, which are essential for indoor coverage, in addition to the high-frequency bandwidth. Around 80 percent of data traffic moves in these frequencies.

In September 2023, the Federal Network Agency once again commented on the allocation (expiring in 2025) of the low-band frequencies in the 800 MHz bandwidth. In a so-called consultation paper, the Federal

Network Agency spoke in favour of extending the frequencies to the three established network operators. In the past, frequencies in the Federal Republic of Germany were allocated exclusively during non-discriminatory auctions, so such an extension would represent a new procedure. If frequencies are allocated in this manner, no low-band frequencies would be allocated to 1&1.

The German Federal Cartel Office also commented on the frequency allocation situation in November 2023. In its position paper, the Federal Cartel Office emphasised that an extension of the frequencies that did not take 1&1 into account would expose 1&1, a market newcomer, to serious competitive disadvantages compared to the established mobile network operators. The Federal Cartel Office referenced other European countries in its position paper and also clearly noted that the available radio spectrum is sufficient for four mobile network operators.

Various studies on the frequency situation in Germany published by 1&1 have come to the same conclusion. They all reveal that the low-band frequencies are not always used efficiently by the three other mobile network operators and there is also no recognisable correlation between a high frequency allocation to individual mobile network operators and the performance capability of the mobile networks, meaning that the low-band frequencies can be allocated to all four mobile network operators without any loss of quality.

In an expert opinion commissioned by 1&1, the former Federal Constitutional Court judge and renowned lawyer, Prof. Udo Di Fabio, also clearly emphasised that the auctioning of the first 5G frequencies to a newcomer in 2019 would result in additional regulatory responsibility. Extending the frequency usage rights of established network operators without taking 1&1 into account as a new entrant would violate the principles of legitimate expectations and the principle of equality and would even be unconstitutional from several points of view.

The Federal Network Agency is expected to provide further information on the exact allocation procedures in 2024.

## New agreements and events of material significance

### Conclusion of a binding preliminary agreement for a long-term, exclusive national roaming partnership with Vodafone

In August 2023, 1&1 and Vodafone concluded a binding preliminary agreement for a long-term, exclusive national roaming partnership.

The national roaming cooperation includes the non-discriminatory provision of national roaming services in areas not yet covered by the new 1&1 mobile network and in particular encompasses access to Vodafone’s 5G network, including both the 2G and 4G mobile standards and technologies.

The starting date for Vodafone's national roaming will be one year after the conclusion of the final national roaming cooperation agreement, but no later than 1 October 2024. The basic term of the national roaming cooperation commencing at that time will be five years. 1&1 will have the option to renew the term of the national roaming cooperation for a maximum of two periods of five years each — i.e. for up to ten years beyond the initial term. The end of the agreement will be followed by a three-year transition period.

The calculation basis is a so-called capacity model in which 1&1 remunerates the share of the Vodafone network used by its customers on a percentage basis at a fixed price per percentage point. This fixed price changes from time to time in line with the percentage cost development of the Vodafone network. Terms and conditions are geared to future market developments and enable 1&1 to offer consistently competitive services at all times.

### Extension of the national roaming contract with Telefónica to include 5G

In November 2023, 1&1 and Telefónica Germany modified the national roaming agreement concluded in May 2021 to include 5G.

Wherever the 5G network currently under construction does not yet offer its own coverage, 1&1 customers will automatically have access to Telefónica Germany's 2G/4G/5G network pursuant to the national roaming agreement modified to include 5G. From October 2024 at the latest, 1&1 will use national roaming services from Vodafone as planned and will gradually reduce the procurement of wholesale services from Telefónica Germany.

### 1&1 O-RAN: Launch of mobile services in Europe's most modern 5G network

Following the launch of the 1&1 mobile network in December 2022 with "1&1 5G at home", 1&1 activated its mobile services on 8 December 2023. Germany's fourth mobile network is now fully functional, and customers on the go can use their smartphones to access its services.

The activation of mobile services became possible once 5G national roaming services were provided by Telefónica Germany.

No other significant events with a decisive influence on the course of business occurred in financial year 2023.

## External influences

No external significant events with a decisive influence on the course of 1&1's business occurred in financial year 2022.

## 2.2 Course of business

### Use and definition of performance indicators relevant for business

Financial performance indicators such as gross profit, gross profit margin, EBITDA, EBITDA margin, EBIT, EBIT margin, free cash flow and cash capex 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:

- Service revenue: Revenue attributable to voice and data services. Gross profit margin: the gross profit margin is the ratio of gross profit to revenue.

- 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: 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 most important financial indicators relevant to the management of the Group are service revenue and EBITDA in accordance with IFRS as well as cash capex. In addition to these financial key figures, the most important non-financial key figure is the number of customer contracts.

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 earnings development of the group. All special effects are pointed out and explained in the relevant sections of the financial statements as part of the rollover to the unadjusted financial performance indicators. There was no need for such an adjustment for the 2022 and 2023 financial years, meaning that the unadjusted key figures are comparable key figures.

## Actual and forecast course of business

### Forecast course of business — 1&1

1&1 published the forecast for financial year 2023 as part of its 2022 annual financial statements:

| | Actual 2022 | Forecast 2023 (March 2023) | Actual 2023 |
|---|---|---|---|
| Service revenues | €3,175.4m | €3,200.0m | €3,243.2m |
| EBITDA | €693.3m | approx. €655.0m | €653.8m |
| Cash-CAPEX | €249.8m | approx. €320.0m | approx. €295.6m |
| growth customer contracts | approx. 600k | approx. 500k | approx. 480k |

### Actual course of business — 1&1

The number of chargeable contracts rose by 0.48 million to 16.26 million contracts in financial year 2023, which is slightly below the expected growth in customer contracts of 0.50 million contracts. In the mobile internet business, it was possible to acquire 0.57 million customer contracts, raising the number of contracts to 12.25 million. Broadband lines declined by 0.09 million to 4.01 million contracts.

Revenue rose by €133.0 million (3.4 percent) to €4,096.7 million (previous year: €3,963.7 million); the high-margin service revenues included in this figure rose by 2.1 percent to €3,243.2 million (previous year: €3,175.4 million).

As planned, the EBITDA in the Group fell from €693,3 million in the previous year to €653,8 million as a result of increased expenses for the expansion and operation of the mobile network.

Cash capex totalled €295.6 million (previous year: €249.8 million). The forecast of € 320.0 million was therefore missed slightly. This is due to the fact that capex planned for December 2023 was slightly postponed to January 2024.

**Forecast course of business — 1&1 AG**

At the level of the separate financial statements, the Management Board expects a largely unchanged result for the year, adjusted for the unscheduled depreciation.

**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 from intercompany services amount to €1.6 million (previous year: €3.5 million). Other operating expenses increased from €8.2 million to €12.9 million.

Income from profit and loss transfer agreements amounts to €411.5 million (previous year: €506.6 million). This is due to the higher costs in the 1&1 Mobile Network segment, which led to a lower profit transfer from Drillisch Online GmbH. Other interest and similar income rose from €14.1 million to €57.6 million because of the rise in interest rates.

Profit for the year amounts to €285.0 million (previous year: net loss for the year €983.1 million) remains. In the previous year, the result for the year was burdened by the unscheduled amortisation of the carrying amount of the investment in 1&1 Telecommunication SE under commercial law in the amount of €1,338.0 million.

## 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-internet and broadband products, meaning that all external revenue is attributable to this segment. The 1&1 Mobile Network operating segment covers all activities in connection with the construction and operation of 1&1's own mobile network and provides the Access operating segment with the necessary preliminary services as part of the internal provision of services. No external revenues were generated in the 2023 financial year from the marketing of network services to external third parties. In addition to the upstream services of the 1&1 Mobile Network segment, the Access operating segment acquires further upstream services from its sister company 1&1 Versatel and from external partners. Internal sales between the two business segments will be recognised for the first time in the 2023 financial year, but will only reach a significant level once the network has been expanded further and the network is operated throughout the year. Segment reporting is based on the internal organisational and reporting structure.

## Access segment

1&1 once again invested in the acquisition of new customers and in the retention of current customer relationships in financial year 2023 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 480,000 to 16.26 million contracts in financial year 2023. In the mobile internet business, it was possible to acquire 570,000 million customer contracts, raising the number of contracts to 12.25 million. Broadband lines declined by 90,000 to 4.01 million contracts. The change in broadband lines is due to the migration from ADSL connections to VDSL connections during the year. This migration was completed in the fourth quarter, meaning that the number of connections stabilised in the fourth quarter. Development of Access contracts in fiscal year 2023 (in millions).

### Development of Access contracts in financial year 2023 (in millions)

| | 31/12/2023 | 31/12/2022 | Change |
|---|---|---|---|
| Access, total contracts | 16.26 | 15.78 | + 0.48 |
| of which mobile internet | 12.25 | 11.68 | + 0.57 |
| of which broadband lines | 4.01 | 4.10 | -0.09 |

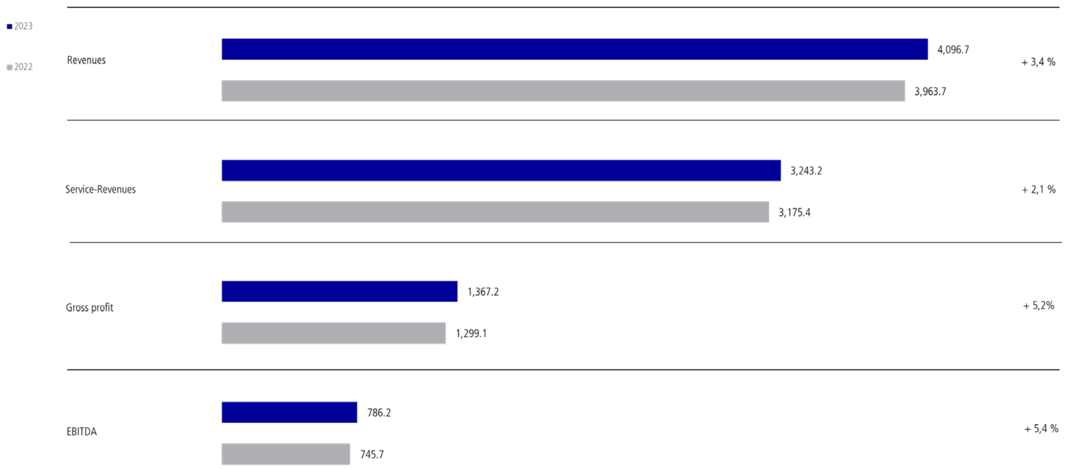
### Development of Access contracts in Q4 2023 (in millions)

| | 31/12/2023 | 30/09/2023 | Change |
|---|---|---|---|
| Access, total contracts | 16.26 | 16.11 | + 0.15 |
| of which mobile internet | 12.25 | 12.10 | + 0.15 |
| of which broadband lines | 4.01 | 4.01 | 0.00 |

Revenue in the segment "Access" rose by €133.0 million (3.4 percent) to €4,096.7 million (previous year: €3,963.7 million); the high-margin service revenues included in this figure rose by 2.1 percent to €3,243.2 million (previous year: €3,175.4 million). In the segment "Access", the cost of materials rose by €64.9 million to €2,729.5 million (previous year: €2,664.6 million). Gross profit in the "Access" segment increased from €1,299.1 million to €1,367.2 million.

Segment EBITDA amounts to €786.2 million (previous year: €745.7 million).

## Major revenue and profit indicators in the segment "Access"




## 1&1 Mobile Network segment

In the 1&1 Mobile Network segment, the Company successfully worked towards the launch of mobile services in the mobile network in financial year 2023. The following activities took centre stage:

- The network was successfully interconnected with all national and international networks.
- Functionality of the mobile services was successfully tested with external customer groups.
- Two core data centres, 23 local edge data centres and 112 regional far-edge data centres began operation.
- The initial backlog in the first interim target of 1,000 5G sites by the end of 2022 was gradually made up. 1&1 had 1,062 antenna sites at the end of the 2023 financial year.
- A 5G national roaming partnership was agreed with Vodafone that provides the 5G market standard to 1&1 customers in areas where 1&1 does not yet have its own network coverage.
- An agreement on the provision of 5G mobile services was reached with Telefónica Germany; the previous national roaming contract included only the 2G and 4G standards.

The mobile services were launched on 8 December 2023. The network has been fully functional since that date, and customers on the go can use their smartphones to access it. While new customers use the 1&1 mobile network immediately, the migration of current customers has been going on since the beginning of 2024.

EBITDA in the 1&1 Mobile Network segment amounted to €-132.4 million (previous year: €-52.4 million) and includes the costs for the ongoing rollout, launch and operation of the 1&1 mobile network. Since the launch of mobile services in the 1&1 mobile network, wholesale services had been provided to the Access segment, resulting in the first-time recognition of intragroup revenues totalling €0.1 million. The recognised expenses relate primarily to the non-capitalisable costs for the network infrastructure, the costs for interconnecting the mobile networks in national roaming and the costs for the extensive testing of the 1&1 mobile network. In future, the expense side will be characterised above all by the operating costs of the 1&1 mobile network.

Cash capex totalled €295.6 million (previous year: €249.8 million) due to higher investments in network expansion.

## 2.3 Position of the Group

### Earnings position in the Group

| | 2023<br>€m | 2022<br>€m |
|---|---|---|
| Sales revenue | 4,096.7 | 3,963.7 |
| Cost of sales | -2,937.7 | -2,734.5 |
| **Bruttoergebnis vom Umsatz** | **1,159.0** | **1,229.2** |
| Distribution costs | -513.2 | -509.6 |
| Administration costs | -115.6 | -110.9 |
| Sonstige betriebliche Erträge / Aufwendungen | 31.0 | 33.5 |
| Impairment losses | -105.4 | -107.3 |
| **Results from operating activities** | **455.8** | **534.9** |
| Financial result | 9.1 | -3.4 |
| **Profit before taxes** | **464.9** | **531.5** |
| Tax expenses | -149.9 | -164.2 |
| **Group earnings** | **315.0** | **367.3** |

The 1&1 Group continued its unabated course of growth in 2023. This growth was driven above all by the contract customer business. It was possible to increase the number of chargeable contracts in comparison with the previous year by 3.0 percent to 16.26 million contracts.

Sales revenues rose by 3.4 percent from €3,963.7 million in the previous year to €4,096.7 million in financial year 2023. The sustainable and high-margin service revenues, which resulted essentially from the billing of current customer relationships, increased by 2.1 percent to €3,243.2 million. The positive development of service revenues results from the ongoing rise in the number of contract customers and the related monthly payments. The value of the individual contractual relationships has also increased compared to the previous year.

Other sales, which mainly consist of sales from the realisation of hardware sales (in particular from investments in smartphones that are repaid by customers over the minimum contractual term in the form of higher package prices), grew by 8.3 percent to €853.5 million (previous year: €788.3 million). 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. The significant increase in other sales revenues is primarily due to the higher prices for smartphones.

The cost of sales increased by €203.2 million or 7.4 percent to €2,937.7 million in the 2023 financial year (previous year: €2,734.5 million). The cost of sales in the Access operating segment increased by 2.9 percent compared to the previous year and amounted to €2,770.9 million (previous year: €2,693.6 million). The slightly disproportionately low increase in the cost of sales in the Access segment compared to the revenue development is due to positive economies of scale from the pre-service agreement with Telefónica. The cost of sales for the significant increase in low-margin hardware sales had the opposite effect.

The cost of sales in the 1&1 Mobile Network segment amounted to €166.8 million (previous year: €40.9 million) and mainly related to the costs of rolling out and operating the 1&1 mobile network. Amortisation of the usable 5G frequencies in the amount of €40.8 million (previous year: €0.4 million) is also disclosed in the cost of sales.

The gross margin amounts to 28.3 percent (previous year: 31.0 percent). Gross profit declined as a result for higher expenses for the construction and operation of the 1&1 mobile phone network by €70.1 million (5.7 percent) from €1,229,2 million to €1,159.0 million.

Distribution expenses increased by €3.6 million to €513.2 million as a result of further intensification of advertising and marketing activities (previous year: €509.6 million). In relation to revenue, distribution costs in 2023 amounted to 12.5 percent (previous year: 12.9 percent).

Administration expenses rose from €110.9 million in the previous year (2.8 percent of revenue) to €115.6 million (2.8 percent of revenue). The administration expenses in the Access segment amounted to €102.2 million (previous year: €98.8 million). The administration expenses in the 1&1 Mobile Network segment amounted to €13.5 million (previous year: €12.1 million) and relate primarily to preparatory measures for the rollout and operation of the 1&1 mobile network.

Other profit amounted to €31.0 million (previous year: €33.5 million) and breaks down into other operating expenses in the amount of €2.7 million (previous year: €2.5 million) and other operating income of €33.7 million (previous year: €36.0 million).

Impairment losses on receivables and contract assets amounted to €105.4 million (previous year: €107.3 million). In relation to sales revenues, the impairment ratio is 2.6 percent (previous year: 2.7 percent).

The EBITDA in 2023 amounted to €653.8 million (previous year: €693.3 million) and was thus 5.7 percent below the figure for the comparable period of the previous year, in particular due to the increased expenses for the expansion and operation of the 1&1 mobile network. The EBITDA margin came to 16.0 percent (previous year: 17.5 percent).

Earnings before interest and taxes (EBIT) amounted to €455.8 million in financial year 2023 (previous year: €534.9 million). The EBIT margin came to 11.1 percent (previous year: 13.5 percent). Excluding the effects from PPA write-offs (Depreciation and amortisation of the assets recognised as part of the purchase price allocation for the merger of 1&1 and Drillisch), the EBIT amounted to €512.9 million and the EBIT margin to 12.5 percent (previous year: €598.6 million and EBIT margin 15.1 percent). The development is significantly influenced by expenses in connection with the expansion and operation of the 1&1 mobile network.

Financing expenses in 2023 amounted to €11.3 million (previous year: €8.3 million). As in the previous year, the financing expenses in financial year 2023 include expenses similar to interest from balancing of the leasing relationship accounts and expenses similar to interest relating to the acquisition of the 5G frequencies.

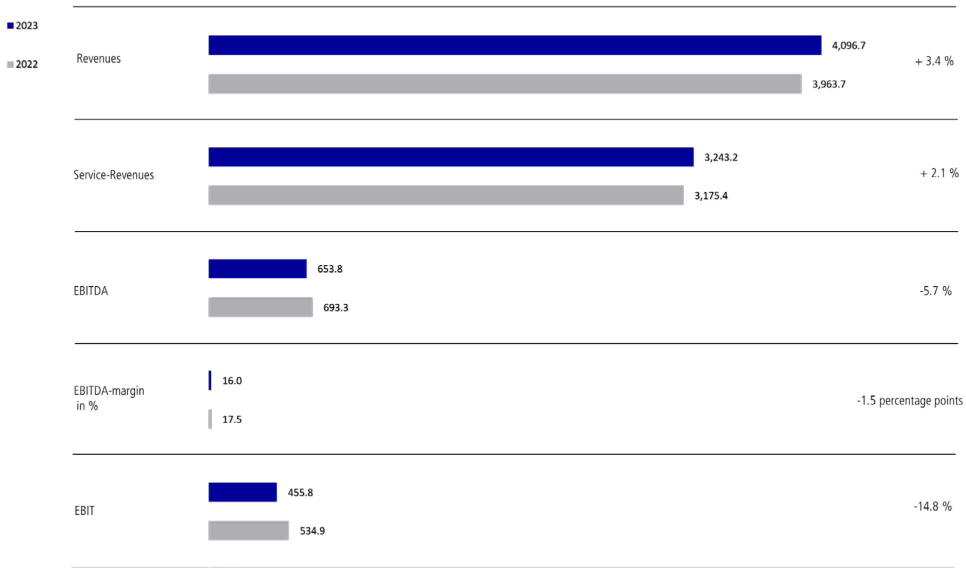
Financial income in 2023 amounted to €20.4 million (previous year: €4.9 million) and represents as in the previous year primarily interest on the cash investment at United Internet AG. The increase results from the higher interest rate level.

Earnings before taxes (EBT) in 2023 amounted to €464.9 million (previous year: €531.5 million). Tax expenses amounted to €149.9 million (previous year: €164.2 million). The tax rate is 32.3 percent (previous year: 30.9 percent).

The consolidated net profit amounted to €315.0 million (previous year: €367.3 million).

Undiluted profit per share in 2023 came to €1.79 (previous year: €2.08). Excluding the effects of the PPA write-offs, the undiluted profit per share in 2023 amounted to €2.01 (previous year: €2.34).

### Major revenue and profit indicators (in €m)




## Financial position in the Group

**Development of the key cash flow figures**

| €m | 2023 | 2022 | Change |
|---|---|---|---|
| Cash flow from operating activities | 488.8 | 534.4 | 45.6 |
| Net inflow of funds from operating activities | 225.6 | 182.9 | -42.7 |
| Cash flow from investments | -125.2 | -95.1 | 30.1 |
| Free cash flow | -70.1 | -62.1 | 8.0 |
| Cash flow from financing sector | -101.8 | -87.7 | 14.1 |
| Cash and cash equivalents as at 31 December | 3.2 | 4.7 | 1.5 |

Cash flow from operating activities totalled € 488.8 million in 2023 and was therefore below the previous year's figure of € 534.4 million. This was due to higher payments for the construction, launch and operation of the 1&1 mobile network, which are not attributable to investment cash flow. Net cash inflows from operating activities increased from € 182.9 million in the previous year to € 225.6 million as a result of the positive change in assets and liabilities in the 2023 financial year. The change is primarily the result of increased trade payables and higher liabilities to related parties. In contrast, the commitment of funds in inventories in particular increased compared to the previous year. As in the previous year, cash flow was burdened by the advance payments for the FTTH / VDSL contingent contract that has been running since April 2021. Investments in intangible assets and property, plant and equipment increased to € 295.7 million (previous year: € 249.4 million) due to the further expansion of the 1&1 mobile network. As part of short-term cash management, short-term cash investments were repaid in the amount of € 155.0 million (previous year: € 148.0 million). These payments relate to the short-term investment of free cash and cash equivalents at United Internet AG. Proceeds from interest received from this cash investment totalled €15.7 million (previous year: €2.3 million). 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 €-70.1 million in 2023 (previous year: €-62.1 million).

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, there were payments in the financial year related to the dividend disbursement, the repayment of liabilities from finance leases and Payments of an interest-bearing or interest-like nature.

Cash and cash equivalents as at 31 December 2023 amounted to €3.2 million (31/12/2022: €4.7 million).

## Assets and liabilities in the Group

**Development of assets, liabilities and equity**

| €m | 2023 | 2022 | Change |
|---|---|---|---|
| Short-term assets | 1,927.8 | 1,855.2 | 72.6 |
| Long-term assets | 5,812.5 | 5,401.9 | 410.6 |
| **Total assets** | **7,740.3** | **7,257.1** | **483.2** |
| | | | |
| Short-term liabilities | 716.6 | 549.7 | 166.9 |
| Long-term liabilities | 1,136.6 | 1,127.6 | 9.0 |
| Shareholders' equity | 5,887.1 | 5,579.8 | 307.3 |
| **Balance sheet total** | **7,740.3** | **7,257.1** | **483.2** |

The balance sheet total increased from €7,257.1 million as at 31 December 2022 to €7,740.3 million as at 31 December 2023. On the assets side, €72.6 million of the increase is attributable to short-term assets and €410.6 million to long-term assets. At €3.2 million, cash and cash equivalents were €1.5 million below the previous year's level of €4.7 million. Trade receivables increased by 24.5 percent compared to the previous year to €333.4 million. The increase is due in particular to the growing number of customer contracts and the increase in sales revenue, especially from hardware. Receivables from related parties fell by €136.4 million to €434.3 million. This development is primarily due to the investment of free liquidity at United Internet AG, which fell by €155.0 million from €565.0 million to €410.0 million.

At €178.0 million (31/12/2022: €120.4 million), inventories were above the level of the previous year. This was due in particular to higher purchase prices for smartphones and deliveries of new smartphones close to the reporting date for marketing in the first quarter of 2024.

Short-term contract assets include in particular receivables from the sale of hardware and increased by €27.9 million compared to the end of the year. Short-term prepaid expenses rose from €214.0 million to €250.6 million and relate essentially to contract costs and prepaid utilisation fees that will not be recognised through expenditures until later periods.

At €42.6 million, other financial assets were above the previous year’s level of €25.3 million as at the reporting date due to higher repayment claims against suppliers. Other non-financial assets increased by €1.8 million compared to the previous year.

Long-term assets increased by €410.6 million to €5,812.5 million. The increase in tangible assets of €238.4 million results in particular from the investments made in the 1&1 mobile network. The reduction of €30.4 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 declined by €10.0 million.

Long-term prepaid expenses increased from €396.9 million as at 31 December 2022 to €609.3 million as at 31 December 2023 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 €307.3 million is attributable to equity and €175.9 million to liabilities. Short-term liabilities increased from €549.7 million in the previous year to €716.6 million and long-term liabilities from €1,127.6 million to €1,136.6 million. Trade payables increased from €229.1 million to €277.1 million, in particular due to later invoicing for advance services. Liabilities to related parties relate to companies of the United Internet Group and amount to €165.5 million (31 December 2022: €77.9 million). As of this year, 1&1 AG is part of the VAT group of United Internet AG, which is why the VAT liabilities are now recognised to related parties. In addition, there are higher liabilities to 1&1 Versatel GmbH due to advance payments for the operation of the 1&1 mobile network. The contractual liabilities of €51.6 million (31/12/2022: €48.3 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. Other provisions increased by €19.6 million and relate in particular to risks for pending legal disputes.

Short-term other financial liabilities amount to €127.8 million (31/12/2022: €121.5 million) In contrast, short-term other non-financial liabilities fell by €30.8 million to €8.9 million as at 31/12/2023. The decrease relates to VAT to be paid and results from the 2023 VAT group with United Internet AG. Long-term contractual liabilities of €11.1 million (31/12/2022: €7.3 million) include long-term income from one-time fees that is to be deferred in accordance with the application of IFRS 15.

Long-term other financial liabilities increased by €18.1 million to €875.8 million. While the frequency liabilities included in the non-current other financial liabilities fell by €61.2 million, the liabilities from leases increased by €78.2 million due to the leasing of antenna sites for the 1&1 mobile network. Deferred tax liabilities fell by €16.3 million from €224.1 million as at 31 December 2022 to €207.8 million as at 31 December 2023.

Group equity rose from €5,579.8 million as at 31 December 2022 to €5,887.1 million as at 31 December 2023. Following the disbursement of dividends of €8.8 million, the increase in equity of €307.2 million results in particular from the consolidated profit of €315.0 million.

The equity ratio declined slightly from 76.9 percent in the previous year to 76.1 percent as at 31 December 2023.

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 held 465,000 shares in treasury stock (31/12/2022: 465.000) so that 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

2023 was one of the most important and, in terms of the targets achieved, one of the most successful years in the Group's history. Mobile services in the 1&1 mobile network were launched without any major technical problems on 8 December 2023. The mobile network also continues to operate smoothly and confirms the high performance capability as was previously the case in the test operation of the mobile services and the "1&1 5G at home" product. 1&1's enrichment of the German mobile communications market with a fourth mobile communications network is an outstanding achievement that the Management Board regards with pride.

After the expansion of antenna sites clearly fell short of targets in 2022, the new expansion plan drafted at the beginning of 2023 was systematically implemented. The foundation for further efficient expansion was jointly laid with the rollout partners. At the end of the 2023 financial year, 1&1 had 1,062 antenna sites.

The operating business also developed positively in line with expectations. 1&1 was once again able to maintain its significant position on the German telecommunications market and further increase its contract portfolio while maintaining the stable value of its contractual relationships. As a result, service revenue (+2.1 percent) and EBITDA in the Access segment (+5.4 percent) increased in line with the forecast.

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 2023 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

| | 2023<br>€m | 2022<br>€m |
|---|---|---|
| Sales revenue | 1.6 | 3.5 |
| Other operating income | 0.1 | 3.0 |
| Cost of materials | 0.0 | 0.0 |
| Personnel expenses | -1.3 | -1.9 |
| Depreciation | -0.1 | 0.0 |
| Other operating expenses | -12.9 | -8.2 |
| Income from profit transfer agreements | 411.5 | 506.6 |
| Expenses from loss transfers | -0.3 | -1.4 |
| Other interest and similar income | 57.5 | 14.1 |
| Write-downs on financial assets | 0.0 | -1,338.0 |
| Interest and similar expenses | -5.3 | -1.1 |
| **Profit before taxes** | **450.8** | **-823.4** |
| Taxes | -165.8 | -159.7 |
| **Net profit / loss for the year (-)** | **285.0** | **-983.1** |

At the level of the annual financial statements of 1&1 AG prepared in accordance with commercial law principles, sales revenues declined to €1.6 million (previous year: €3.5 million). The sales revenues result largely from intercompany services. Cash and cash equivalents amount to €0.1 million subsequent to €3.0 million in the previous year. Other operating income in the previous year includes especially one-off reversals of provisions.

Personnel expenses totalled €1.3 million after €1.9 million in the previous year. Other operating expenses increased by €4.7 million to €12.9 million, in particular due to one-off out-of-period expenses (previous year: €8.2 million).

The income from profit and loss transfer agreements at €411.5 million is €95.1 million below the previous year's value (previous year: €506.6 million). The change results primarily from the higher costs for the expansion of the 1&1 mobile network and the related lower income from the profit transfer from Drillisch Online GmbH.

Interest income amounts to €57.5 million (previous year: €14.1 million) and mainly includes interest income on receivables as part of group-wide cash management and interest income from the profit transfer. The increase is above all due to higher interest rates.

The write-downs on financial assets of the previous year 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. No further write-downs were required in 2023. Interest expenses increased to €5.3 million (previous year: €1.1 million) and include interest expenses as part of the group-wide cash management. As with interest income, this development is due to the rise in interest rates.

After taxes on income amounting to €165.8 million (previous year: €159.7 million), a net profit for the year of €285.0 million (previous year: net loss for the year €983.1 million) remains. Excluding the unscheduled write-down in the previous year, 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 rose by €411.9 million to €6,970.3 million in financial year 2023 (31/12/2022: €6,558.4 million). At €5,160.0 million (31 December 2022: €5,159.7 million), non-current assets, which consist almost entirely of shares in affiliated companies, are at the same level as the previous yearCurrent assets increased by €411.7 million to €1,809.3 million (31/12/2022: €1,397.6 million). At €409.7 million, the change relates in particular to accounts due from group undertakings, which increased to €1,796.6 million (31/12/2022: €1,386.8 million). Receivables from affiliated companies primarily include the short-term investment of free cash and cash equivalents at United Internet AG (€410.0 million, 31/12/2022: €565.0 million) and at companies of the 1&1 Group (€1,027.2 million, 31/12/2022: €499.3 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 €7.7 million in the previous year to €11.4 million and essentially include claims for taxes.

Cash amounts to €1.2 million following €3.1 million in the previous year.

Equity increased to €6,732.4 million (31/12/2022: €6,456.2 million). The change results from the profit for the year of €285.0 million and the disbursement of dividends in the amount of €8.8 million. An equity ratio of 96.6 percent (31/12/2022: 98.4 percent) means that almost all assets continue to be financed by equity.

Tax provisions amount to €64.3 million as at 31 December 2023 (31/12/2022: €28.5 million) due to adjusted advance payments. Other provisions amount to €1.6 million (31/12/2022: €1.4 million) and are above the previous year's figure.

The increase in liabilities from €72.2 million in the previous year to €172.0 million relates largely to an rise in accounts due to group undertakings from €126.8 million to €148.0 million. As in the previous year, the accounts due to group undertakings concern primarily liabilities within the framework of the cash management agreement due to companies within the 1&1 Group. In addition, liabilities to affiliated companies increased as a result of the VAT consolidation with United Internet AG that has been in place since this year. In contrast, other liabilities, which in the previous year consisted mainly of VAT liabilities, fell by €35.6 million. As in the previous year, there was a surplus of deferred tax assets in financial year 2023 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 Management Board takes a positive view of the Group's business development, which is also reflected in 1&1 AG's annual financial statements under commercial law in the form of the holding results. The operational development of the subsidiaries and progress in the rollout and operation of the 1&1 mobile network were in line with planning. At €285.0 million, the net profit for the year is below the previous year's forecast owing to increased costs related to the 1&1 mobile network. 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 operating results 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 2023 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 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 2023 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 2023.

Management Board and Supervisory Board will discuss this dividend proposal in the Supervisory Board meeting on 20 March 2024. The Annual General Meeting of 1&1 AG will adopt a decision about the motion proposed jointly by Management Board and Supervisory Board on 16 May 2024.

## 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 2023 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 keeping with this philosophy, 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-Umsetzungsgesetz; CSR-RUG) (sections 315b and 315c in conjunction with section 289c HGB) and publishes the non-financial group declaraion as part of a separate non-financial group 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 non-financial group report.

The Company’s separate non-financial group report will be published in March 2024 (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 declaration published in the separate report contains legally required and supplementary information on the aspects “Environmental Matters” that are material for 1&1 (chapter: Decarbonisation; Material Efficiency & Circularity), “Employee Matters" (chapter: Working Conditions; Diversity, Inclusion, Equality & Accessibility), “Social Issues” and “Respect for Human Rights” (chapters: Responsible Supply Chain) and “Combating Corruption and Bribery” (chapter: Responsible Corporate Management). This list of the minimum aspects required by the CSR-RUG has been supplemented by “Customer Concerns”. These are material topics for 1&1 and must be reported. Customer concerns include the overarching topics of “access to digitalisation”, “data protection” and “customer and product experience”. 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 non-financial report 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. 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 certain large undertakings and groups on which the CSR-RUG is based.

The materiality principle was applied when determining the content of the non-financial report. The new requirements of the GRI standards and the European Corporate Sustainability Reporting Directive (CSRD), which entered into force in January 2023, were used to determine the material topics. The principle of so-called dual materiality was applied and both the external and internal company perspectives were taken into account. The Supervisory Board of the Company is responsible for reviewing the content of the sustainability reporting.

# 3. Post Balance Sheet Report

There have been no significant events after the balance sheet date that could have a material effect on the Group's financial position or results of operations.

# 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 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 controlling and risk management with respect 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 controlling 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 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 IDL of the provider insightsoftware is used at the Group level.

In addition, supplementary procedural instructions such as the accounting guidelines, standardised reporting formats, IT systems and IT-supported reporting and consolidation processes support the process of uniform and proper Group accounting. The Group Accounting department ensures that these requirements are complied with uniformly throughout the Group. The proper and timely execution of the Group companies' accounting-related processes and systems is supported by the integration of shared services for accounting.

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 debts 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]

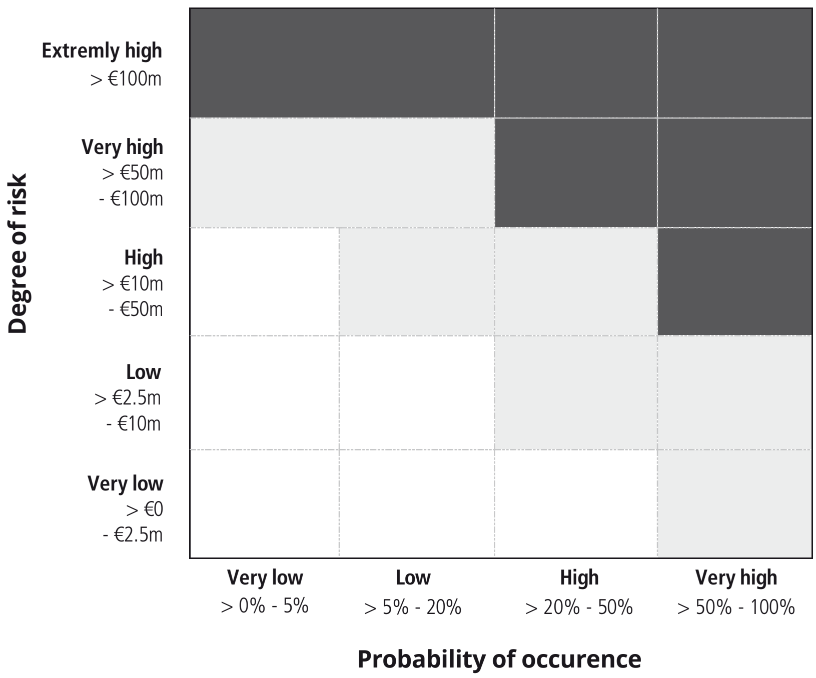
[1] The information in the marked sections is not part of the management report within the sense of the explanations in the preliminary remarks to this management report.

## 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 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.

Risk assessment matrix




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 communications business, to open up new business areas and to obtain greater independence from the procurement of advance services from other network operators.

1&1 is building the mobile network in a special partnership with the Japanese technology group and proven Open RAN expert Rakuten as general contractor. Together, Rakuten and 1&1 are building Europe's first fully virtualised mobile network based on the innovative Open RAN technology. The use of Open RAN 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 construction. 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 Open RAN 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, there have already been initial delays in the construction of antenna sites in 2022 and 2023. The delays were due to delivery problems from upstream suppliers. Delays in network construction may mean that more upstream services have to be procured externally than planned until the mobile communications network is fully constructed, which would have a negative impact on value creation. Wanting to counter these risks adequately, 1&1 has entered into further partnerships for the acquisition of antenna sites as and for its own construction of antenna sites.

The risk classification was reduced from moderate to low compared to 31 December 2022. The reason for the reduction is an improved risk situation in the 1&1 Mobile Network segment.

**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 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 market”), 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 development 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.

## Risks in the „Market“ area

### 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.

### 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 hard- and software 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.

Due to the stabilisation of electricity prices over the course of financial year 2023, the risk classification was reduced from moderate to low compared to 31 December 2022.

### Personnel recruitment market

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.

There is close interaction 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 maintaining 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 project risks. The challenge is to migrate all customers to our own network within the next two years. If this does not succeed as planned, it could lead to dissatisfaction among the affected customers and ultimately to a customer loss. 1&1 launched projects for customer migration at an early stage and developed concepts in collaboration with the partners to ensure the success of the customer migration.

Simultaneously with the network launch on 8 December 2023, the necessary infrastructure connections were also successfully put into operation. The risks described in the report on financial year 2022 regarding the necessary national roaming connection with Telefónica were successfully avoided.

**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 into product development at the earliest possible stage.

### 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

Changes in current legislation, the passage of new laws and changes in government regulatory actions can have unexpectedly negative effects on the business models 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 increases 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.

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 upstream providers 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 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 network operators. In this case, 1&1 would have to rely on buying a larger scope 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 capacity 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. Without access to these low-band frequencies with a greater range, the risk of failing to fulfil the Federal Network Agency's expansion obligations by the end of 2025 would also increase considerably.

1&1 counters the tendency of increasing regulatory risk by cooperating with with several pre-service partners and actively working with associations. 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.

### 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 considers the claims of the respective counterparty to be essentially unfounded and does not consider an outflow of resources to be probable. By their nature, the results of legal disputes are uncertain and therefore represent a risk. If there are negative prospects of success in selected cases and the amount of the obligation can be reliably estimated, the risks from the legal disputes are recognised 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.

Compared to 31 December 2022, there has been an increase in the risk area from Low to Moderate. This increase is due to newly gained knowledge regarding sales and income tax risks, among other things, and the associated re-evaluation of the risk assessment in this risk area.

## 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 generally 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.

**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 floods), personnel crises (pandemics or epidemics) or infrastructural crises (damage to the road network, restriction of the energy supply) can lead to obstruction 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.

### 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, insofar as reasonable, to a minimum by implementing specific actions.

- The risk rating for the risk area "Business Development & Innovation" was reduced from moderate to low compared to 31 December 2022. The reason for the reduction is an improved risk situation in the 1&1 Mobile Network segment due to the launch of mobile services in the mobile network.

- Due to the stabilisation of electricity prices over the course of the 2023 financial year, the risk assessment in the "Procurement market" risk area was reduced from moderate to low compared to 31 December 2022.

- Compared to 31 December 2022, there has been an increase in the "Tax risks" risk area from low to moderate. The reason for this increase is the greater risk awareness, which has led to an increased identification of risks in this area.

- Otherwise, the risk classifications of the risk areas of 1&1 AG as of 31 December 2023 remained unchanged compared to 31 December 2022.

The assessment of the major risk fields or specific risk positions were, as is natural, subject to fluctuations during financial year 2023 because of the development of external conditions as well of the impact of the Company's own countermeasures.

The overall risk situation for the 1&1 Group has not essentially changed in comparison with the previous year.

In assessing the overall risk situation, the opportunities available to the 1&1 Group are not taken into account. Risks threatening the existence of the 1&1 Group from either single risk positions or the overall risk situation were not discernible during financial year 2023 nor on the date of preparation of this report.

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

| | Material segment relevance | Probability of occurrence | Degree of risk | Risk classification | Development in comparison with previous year |
|---|---|---|---|---|---|
| **Risks in the area of "Strategy"** | | | | | |
| Participations and investments | Access | Very low | Very low | Low | → |
| Business development and innovation | Access | Very low | Very low | Low | ↘ |
| Cooperation and outsourcing | Access | Very low | Very low | Low | → |
| Organisational structure and decision-making | Access | Very low | Very low | Low | → |
| Personnel development and retention | Access | Very low | Very low | Low | → |
| **Risks in the area of "Market"** | | | | | |
| Sales market and competition | Access | Very low | Very low | Low | → |
| Procurement market | Access | Very low | Very low | Low | ↘ |
| Recruitment market | Access | Very low | Very low | Low | → |
| **Risks in the area of "Service performance"** | | | | | |
| Work procedures and processes | Access | Very low | Very low | Low | → |
| Cyber and information security | Access | High | Low | Moderate | → |
| Capacity bottlenecks | Access | Very low | Very low | Low | → |
| Projects | 1&1 Mobile Network | Low | High | Moderate | → |
| Technical facility operation | Access | Very low | Very low | Low | → |
| **Risks in the area "Compliance"** | | | | | |
| Data protection | Access | Low | High | Moderate | → |
| Misconduct and irregularities | Access | Very low | Very low | Low | → |
| Legislation and regulation | 1&1 Mobile Network | Low | Extremely high | Significant | → |
| Legal disputes | Access | Low | Extremely high | Significant | → |
| Tax risks | Access | High | High | Moderate | ↗ |
| **Risks in the area "Finances"** | | | | | |
| Financing | Access | Very low | Very low | Low | → |
| Fraud and bad debt losses | Access | Low | 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

Society, politics and the economy are currently facing complex macroeconomic challenges resulting from a combination of high interest rates, subdued growth expectations, a tense financing framework, falling trade growth and declining confidence among companies and consumers. In addition to the destabilising effects of the war in Ukraine, the war in the Middle East is also contributing to increased uncertainty regarding the economic future. The Management Board of the 1&1 Group is responding to this by actively accepting the current challenges and integrating them into its business decisions, in particular by developing strategies to minimise risk, such as diversified procurement strategies to ensure a secure and fair energy supply.

The 1&1 Group, whose business activities are not active in the countries involved in the wars, is nevertheless confronted with the indirect effects. In light of the uncertain security situation caused by the war in the Middle East and the war in Ukraine, particularly in the area surrounding the access and transit of the Suez Canal, and the potential indirect effects on global business processes, 1&1 has developed proactive risk management and mitigation strategies:

- **Cybersecurity risks:** In light of the increased cybersecurity threats associated with the wars in the Middle East and Ukraine, the company is intensifying its investments in cybersecurity measures. These include the use of advanced monitoring techniques, the performance of regular security audits and the training of its employees to strengthen its defences against cyber attacks.

- **Hardware bottlenecks:** The company is adapting its logistics and procurement strategies to overcome potential hardware bottlenecks that could be caused by the uncertain security situation surrounding the access and transit of the Suez Canal, exacerbated by the war in the Middle East. Among other things, this is being done by increasing the stock of hardware in order to cushion potential supply disruptions.

The Executive Board and operational managers will closely monitor further developments and initiate suitable countermeasures if necessary (where possible).

## 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 embodied in concrete actions, 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

Given its positioning on today's growth markets, the strictly strategic growth opportunities for the Company are obvious: increasingly powerful landline and mobile access products that are available everywhere and at all times enable new, more elaborate 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 Germany, serving 16.3 million customers in the sector of internet-based access services. 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, WinSim or Sim.de, 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

The 1&1 mobile network, which went live for mobile services as well on 8 December 2023, has established 1&1 as the fourth mobile network operator in Germany. This step is how 1&1 plans to expand its added value in the mobile communications business and develop new business areas.

1&1 operates in Germany Europe's first fully virtualised mobile network based on the innovative Open RAN technology. 1&1's decision to employ the novel and innovative Open RAN 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 12.3 million mobile customers and 4.0 million broadband customers together with access to one of the largest fibre optic networks in Germany is evidence that 1&1 can point to the best prerequisites for exploiting the high potential of 5G in Germany.

## Access to one of the largest fibre optic 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 Drillisch 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.

**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 launch of mobile services in the 1&1 mobile network on 8 December 2023 primarily had an impact on the risk situation. While 1&1 had reported on significant risks in connection with the launch of mobile services in the previous year, following the successful launch, the focus is now primarily on risks from ongoing operations, in particular risks that could cause a partial or complete failure of the network. The opportunities are now also becoming clearer.

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 likelihood 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 2024, the International Monetary Fund (IMF) updated its forecasts for the development of global economies in 2024 and 2025. In view of the currently declining inflation and the recent upturn in growth, the IMF has raised its forecast for the global economy for 2024 from the previous 2.9 percent to 3.1 percent (after 3.1 percent in 2023) as part of its update. Nevertheless, global economic growth is once again well below the average figure of 3.8 percent recorded in recent years. The IMF forecasts growth of the global economy of 3.2 percent in 2025.

The IMF sees geopolitical tensions as a risk, particularly in the Middle East, which have already led to a significant increase in prices for freight deliveries between Asia and Europe.

Following -0.3 percent in 2023, the IMF expects economic growth for Germany of 0.5 percent in 2024 and 1.6 percent in 2025. According to the forecasts, Germany is likely to record once again the lowest growth of the G7 countries in 2024.

The Fund's projections of growth of 0.5 percent and 1.6 percent in 2024 and 2025, respectively, are slightly above the forecasts of the German government, which assumed growth of the price-adjusted gross domestic product of 0.2 percent in 2024 in its Annual Economic Report 2023 issued on 21 February 2024.

The German government is therefore somewhat more cautious in its assessment of the economic situation than it was last year. The German government cites the effects of the energy price crisis in conjunction with the pronounced weakness of the global economy and the increasingly noticeable effects of restrictive monetary policy as the reasons for this assessment.

## Industry/market expectations

Despite the challenges posed by the difficult economic conditions, disruptions in supply chains and a shortage of skilled workers, the industry association Bitkom expects the German ICT market as a whole to grow by 4.4 percent in 2024 (previous year: 2.0 percent). Sales revenues should consequently rise to €224.3 billion.

According to Bitkom calculations, the market for information technology is expected to grow again (after a brief dip in growth in 2023) by 6.1 percent in 2024 (previous year: 2.2 percent) to €151.5 billion. The software segment, which is being driven especially by cloud business and artificial intelligence (AI), is expected to post yet again the strongest growth, rising by a robust 9.4 percent (previous year: 9.6 percent) to €45.5 billion. The IT services business, which includes IT consulting and other segments, is expected to post growth of 4.8 percent (previous year: 5.1 percent) to €51.7 billion. Sales in IT hardware are also expected to increase significantly by 4.6 percent (previous year: -5.4 percent) to €54.5 billion.

The consumer electronics market, on the other hand, remains under pressure. According to the Bitkom forecast, sales are expected to fall again in 2024 by -3.4 percent (previous year: -2.1 percent) to €7.8 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” segment, which is financed largely by subscriptions.

### Telecommunications market in Germany

The industry association Bitkom expects the German telecommunications market as a whole to grow by 1.0 percent (previous year: 1.7 percent) to €72.8 billion.

The largest share of this was attributable to the telecommunications services business, which presumably grew by 1.6 percent (previous year: 1.9 percent) to €52.6 billion. Investments in telecommunications infrastructure are expected to fall slightly by -1.0 percent (previous year: 4.4 percent) to €8.4 billion. Sales revenues from devices at -0.2 percent (previous year: -0.7 percent) of €11.8 billion are expected to be roughly on a par with the previous year.

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

| | 2024 | 2023 | Change |
|---|---|---|---|
| Revenues | 72.8 | 72.1 | + 1.0% |

Source: Bitkom, January 2024

### Forecast for fiscal year 2024

For the financial year 2024, the Management Board of 1&1 expects service revenues to increase by approx. 4 percent to approx. €3.37 billion (2023: €3.24 billion) and EBITDA to grow by approx. 10 percent to approx. €720 million (2023: €653.8 million). The “Access” business segment will contribute to this with growth of approx. 12 percent to approx. €880 million (2023: €786.2 million) and the 1&1 Mobile Network segment with approx. €-160 million (2023: €-132.4) The operative growth in customer contracts in 2024 is expected to be at the previous year's level. However, it can be assumed that there will be process-related cancellations as part of the customer migration to the new 1&1 mobile network, meaning that net growth of 200,000 to

300,000 new contracts is ultimately expected. The investment volume (cash capex) is expected to amount to approx. €380 million (2023: €295.6 million).

At the level of the separate financial statements, the Executive Board anticipates a moderate increase in the investment result (result from income and expenses from profit transfer agreements) for 2023. A slight increase is expected for net income for the year, which is mainly influenced by the investment and interest result.

## General statement from the Management Board on presumable development

Following the successful launch of mobile services on the 1&1 mobile network at the end of 2023, the migration of customers to the Company's own network will begin in financial year 2024. In the second half of the year, the 1&1 mobile network will be connected with the Vodafone network within the framework of the national roaming agreement.

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 more in-depth 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 16.3 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 internet, for the year 2024. 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. Following the decline in the number of contracts for broadband in the recent past due to the switch from ADSL to VDSL lines, the number stabilised in the fourth quarter as expected. This stabilisation is expected to continue in 2024. 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 2024".

## 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 to be false in future. 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 information pursuant to section 289a HGB and section 315a HGB (information relevant for acquisitions)

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 2023, United Internet AG, Montabaur, held 78.32 percent of the 1&1 AG stock.

**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 issues 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 Company by-laws in accordance with the specific utilisation of the Approved Capital 2022 or after the expiration of the authorisation.

**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 Annual 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 fiscal 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**

As at 31 December 2023, 1&1 AG held 465,000 own shares representing €511,500 (0.26 percent) of the share capital.

The General Meeting on 18 May 2022 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 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 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 stock-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 2023.

As of the closing date 31 December 2023, United Internet AG, Montabaur, Germany, held 78.32 percent of the stock in 1&1 AG. Per 31 December 2023, Mr Ralph Dommermuth; Montabaur, Germany, in turn holds indirectly through holding companies 54.37 percent of the share capital of United Internet AG as reduced by his own shares of United Internet AG.

In addition, please refer to the disclosures in the annual financial statements of 1&1 AG as of December 31, 2023.

## 5.2 Declaration on corporate management 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 https://www.1und1.ag/investor-relations#e-tabs-id-berichte.

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

The Company's declaration pursuant to section 315b and section 315c and 289c HGB is published in compliance with statutory deadlines on the internet site of 1&1 AG at www.1und1.ag/corporate-governance à Nachhaltigkeitsbericht [Sustainability Report].

## 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 fiscal year 2023 pursuant to Section 162 AktG can be found in the "Remuneration Report 2023", which is published on the 1&1 AG website at www.1und1.ag/corporate-governance#verguetungsbericht.

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 affiliated 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, 18 March 2024

Ralph Dommermuth    Markus Huhn    Alessandro Nava

The Management Board

# Consolidated Annual Financial Statements

# Consolidated Comprehensive Income Statement

## from 1 January to 31 December 2023

| | Remarks | 2023<br>January - December<br>k€ | 2022<br>January - December<br>k€ |
|---|---|---|---|
| Sales | 4 | 4,096,701 | 3,963,691 |
| Cost of sales | 5,11,12 | -2,937,655 | -2,734,500 |
| **GROSS PROFIT FROM REVENUES** | | **1,159,046** | **1,229,191** |
| Distribution costs | 6,11,12 | -513,235 | -509,597 |
| Administration costs | 7,11,12 | -115,643 | -110,910 |
| Other operating income | 9 | 33,663 | 35,981 |
| Other operating expenses | 8 | -2,628 | -2,487 |
| Impairment losses from receivables and contract assets | 10 | -105,385 | -107,284 |
| **RESULTS FROM OPERATING ACTIVITIES** | | **455,818** | **534,894** |
| Financing expenses | 13 | -11,303 | -8,278 |
| Financial income | 14 | 20,368 | 4,924 |
| **PROFIT BEFORE TAXES** | | **464,883** | **531,540** |
| Tax expenses | 15 | -149,933 | -164,212 |
| **CONSOLIDATED PROFIT** | | **314,950** | **367,328** |
| **Profit per share (in €)** | | | |
| - undiluted | 48 | 1.79 | 2.08 |
| - diluted | 48 | 1.78 | 2.08 |
| **Weighted average number of shares outstanding (in millions)** | | | |
| - undiluted | 48 | 176.30 | 176.30 |
| - diluted | 48 | 176.48 | 176.30 |
| **Rollover to total consolidated profit** | | | |
| **CONSOLIDATED PROFIT** | | **314,950** | **367,328** |
| 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 results in other results | 39 | -276 | 293 |
| Other results | 39 | -276 | 293 |
| **TOTAL CONSOLIDATED PROFIT** | | **314,674** | **367,621** |

# Consolidated Balance Sheet

## as at 31 December 2023

| | Remarks | 31/12/2023 k€ | 31/12/2022 k€ |
|---|---|---|---|
| **ASSETS** | | | |
| **Short-term assets** | | | |
| Cash and cash equivalents | 16 | 3,197 | 4,677 |
| Trade accounts receivable | 17 | 333,372 | 267,820 |
| Receivables due from associated companies | 19 | 434,343 | 570,763 |
| Inventories | 20 | 177,999 | 120,385 |
| Contract assets | 18 | 666,836 | 638,922 |
| Prepaid expenses | 21 | 250,586 | 213,992 |
| Other financial assets | 22 | 42,620 | 25,286 |
| Income tax assets | 31 | 9,744 | 6,061 |
| Other non-financial assets | 23 | 9,106 | 7,291 |
| | | **1,927,803** | **1,855,197** |
| **Long-term assets** | | | |
| Other financial assets | 24 | 2,566 | 2,268 |
| Tangible assets | 25 | 501,029 | 262,655 |
| Intangible assets | 26 | 1,560,144 | 1,590,541 |
| Goodwill | 26.27 | 2,932,943 | 2,932,943 |
| Contract assets | 18 | 206,497 | 216,533 |
| Prepaid expenses | 21 | 609,324 | 396,948 |
| | | **5,812,503** | **5,401,888** |
| **Total assets** | | **7,740,306** | **7,257,085** |

| | Remarks | 31/12/2023<br>k€ | 31/12/2022<br>k€ |
|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | |
| **Short-term liabilities** | | | |
| Trade accounts payable | 28.36 | 277,053 | 229,137 |
| Liabilities due to associated companies | 29.36 | 165,461 | 77,927 |
| Contract liabilities | 30.36 | 51,564 | 48,298 |
| Other provisions | 32.36 | 24,028 | 4,413 |
| Other financial liabilities | 33.36 | 127,787 | 121,451 |
| Other non-financial liabilities | 34.36 | 8,937 | 39,704 |
| Income tax liabilities | 31.36 | 61,782 | 28,765 |
| | | **716,612** | **549,695** |
| **Long-term liabilities** | | | |
| Contract liabilities | 30.36 | 11,065 | 7,297 |
| Other provisions | 32.36 | 42,016 | 38,551 |
| Other financial liabilities | 35.36 | 875,758 | 857,650 |
| Deferred tax liabilities | 15 | 207,781 | 224,051 |
| | | **1,136,620** | **1,127,549** |
| **Total liabilities** | | **1,853,232** | **1,677,244** |
| **Equity** | | | |
| Share capital | 38 | 194,442 | 194,442 |
| Treasury shares | | -512 | -512 |
| Capital reserves | 39 | 2,439,314 | 2,437,940 |
| Cumulative consolidated results | | 3,254,692 | 2,948,557 |
| Other equity | 39 | -862 | -586 |
| **TOTAL EQUITY** | | **5,887,074** | **5,579,841** |
| **TOTAL LIABILITIES AND EQUITY** | | **7,740,306** | **7,257,085** |

# Consolidated Cash Flow Statement

## from 1 January to 31 December 2023

| | Remarks | 2023<br>January - December<br>k€ | 2022*<br>January - December<br>k€ |
|---|---|---|---|
| **RESULTS FROM OPERATING ACTIVITIES** | **46** | | |
| Consolidated profit | | 314,950 | 367,328 |
| **Allowances for rollover of consolidated profit to incoming and outgoing payments** | | | |
| Allowances for rollover of consolidated profit to incoming and outgoing payments | 11 | 111,852 | 65,636 |
| Depreciation on assets capitalised within the framework of corporate acquisitions | 11 | 86,177 | 92,767 |
| Personnel expenses from employee stock ownership programmes | 37 | 1,374 | 1,834 |
| Changes in the adjustment items for deferred tax assets | 15 | -16,149 | 4,541 |
| Correction profits / losses from the sale of tangible assets | | 11 | -1,506 |
| Finanzergebnis | | -9,065 | 3,354 |
| Other items not affecting payments | | -398 | 418 |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | **488,752** | **534,372** |
| **Changes in assets and liabilities** | | | |
| Change in receivables and other assets | | -88,341 | -19,983 |
| Change in contract assets | | -17,878 | -39,744 |
| Change in inventories | | -57,614 | -23,915 |
| Change in prepaid expenses | | -248,970 | -154,857 |
| Change in trade accounts payable | | 47,916 | -33,454 |
| Change in other provisions | | 23,011 | -7,454 |
| Change in income tax liabilities | | 33,017 | -13,252 |
| Change in other liabilities | | -34,649 | -52,657 |
| Change in receivables due from / liabilities due to associated companies | | 73,304 | -5,555 |
| Change in contract liabilities | | 7,034 | -554 |
| **Changes in assets and liabilities, total** | | **-263,170** | **-351,425** |
| **Net inflow of funds from operating activities** | | **225,582** | **182,947** |

*For the reporting period from January to December 2022, adjustments were made to the disclosure of cash inflows and outflows for interest in the consolidated cash flow statement. Please refer to the explanations in Note 2.2 Changes in accounting policies.

| | Remarks | 2023<br>January - December<br>k€ | 2022*<br>Januar - Dezember<br>k€ |
|---|---|---|---|
| **CASH FLOW FROM INVESTMENTS** | **46** | | |
| Investments in intangible and tangible assets | | -295,727 | -249,391 |
| Inflow of funds from disposal of intangible and tangible assets | | 87 | 4,351 |
| Investments in other financial assets | | -341 | -379 |
| Interest received | | 15,749 | 2,272 |
| Repayments from other financial assets | 42 | 155,000 | 148,000 |
| **Net outflow of funds in investment sector** | | **-125,232** | **-95,147** |
| **CASH FLOW FROM FINANCING SECTOR** | **46** | | |
| Dividend payment | 49 | -8,815 | -8,815 |
| Repayment of leasing liabilities and rights of use | 33.45 | -12,078 | -12,948 |
| Repayment of liabilities related to the acquisition of 5G spectrum | 46 | -61,266 | -61,266 |
| Interest payments | | -19,671 | -4,649 |
| **Net outflow of funds in financing sector** | | **-101,830** | **-87,678** |
| Net increase/decline in cash and cash equivalents | | -1,480 | 122 |
| Cash and cash equivalents at beginning of fiscal year | | 4,677 | 4,555 |
| **Cash and cash equivalents at end of reporting period** | | **3,197** | **4,677** |

*For the reporting period from January to December 2022, adjustments were made to the disclosure of cash inflows and outflows for interest in the consolidated cash flow statement. Please refer to the explanations in Note 2.2 Changes in accounting policies.

# Consolidated Change in Equity Statement

## in Financial Years 2023 and 2022

| | | Share capital | | Treasury shares | | Capital reserve | Cumulative consolidated results | Other equity | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | Remarks | | 38.40 | | | 39.40 | | 39 | |
| | | Denomination | k€ | Denomination | k€ | k€ | k€ | k€ | k€ |
| **Per 1 January 2022** | | **176,764,649** | **194,442** | **465,000** | **-512** | **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 | | | | | | | -8,815 | | -8,815 |
| Employee stock ownership programme | | | | | | 1,834 | | | 1,834 |
| **Per 31 December 2022** | | **176,764,649** | **194,442** | **465,000** | **-512** | **2,437,940** | **2,948,557** | **-586** | **5,579,841** |
| | | | | | | | | | |
| **Per 1 January 2023** | | **176,764,649** | **194,442** | **465,000** | **-512** | **2,437,940** | **2,948,557** | **-586** | **5,579,841** |
| Consolidated profit | | | | | | | 314,950 | | 314,950 |
| Other consolidated results | | | | | | | | -276 | -276 |
| **Total results** | | | | | | | **314,950** | **-276** | **314,674** |
| Dividend payments | 49 | | | | | | -8,815 | | -8,815 |
| Employee stock ownership programme | 37 | | | | | 1,374 | | | 1,374 |
| **Per 31 December 2023** | | **176,764,649** | **194,442** | **465,000** | **-512** | **2,439,314** | **3,254,692** | **-862** | **5,887,074** |

# Consolidated Notes as at 31 December 2023

## 1. General Information About the Company and the Financial Statements

1&1 Group, together with 1&1 Aktiengesellschaft, Montabaur, the listed parent company (hereinafter: "1&1 AG" or, along with its subsidiaries, "1&1" or "Group"), is a telecommunications provider that operates in Germany. 1&1 has been operating its own mobile communications network since December 2023.

The address and domicile of 1&1 AG, the parent company of the Group, is Elgendorfer Strasse 57 in 56410 Montabaur, 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 Company Register [*Unternehmensregister*].

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 2023.

In its meeting on 29 March 2023, the Supervisory Board approved the consolidated annual financial statements for 2022. The consolidated annual financial statements for 2022 were published in the Statistical Business Register on 3 May 2023.

The consolidated annual financial statements for 2023 were prepared by the Management Board on 18 March 2024 and subsequently submitted to the Supervisory Board. The consolidated annual financial statements will be presented to the Supervisory Board for approval on 20 March 2024. 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 21 March 2024.

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

The Group includes as at 31 December 2023 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 GmbH, Maintal | 100 |
| 1&1 Mobilfunk GmbH, Düsseldorf[3] | 100 |
| 1&1 Towers GmbH, Düsseldorf[4] | 100 |
| Drillisch Logistik GmbH, Maintal | 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
(1) Wholly-owned subsidiary of 1&1 Telecom Holding GmbH
(1) Wholly-owned subsidiary of Drillisch Online GmbH
(1) Wholly-owned subsidiary of 1&1 Mobilfunk GmbH

All subsidiaries are included in the consolidated financial statements. The scope of consolidation has remained unchanged in comparison with 31 December 2022.

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 interests). In accordance with IFRS 10, an investor has control of a company when he has the authority to make decisions, is vulnerable to variable returns or is entitled to rights related to the returns and he is in a position to influence the variable returns as a consequence of his authority to make decisions. The financial statements of the subsidiaries are prepared as at 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 wireless 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 uses hardware prices determined and regularly announced by a third-party provider and links these to the given contract terms and 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 reviewed 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 undertakings 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 or to invest free liquidity with United Internet AG for a short term. 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 cash flow 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 by the straight-line method.

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

| | **Useful life in years** |
|---|---|
| Tenant installations | up to 10 |
| Rights of use for land and buildings | up to 17 |
| Rights of use to network infrastructure | up to 25 |
| Motor vehicles | 5 to 6 |
| Other equipment, operating and office equipment | 3 to 19 |
| Rights of use for 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** |
|---|---|
| Trade mark rights | Indeterminate |
| Clientele | 4 to 25 |
| Spectrum | Up to 17 |
| Miscellaneous 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 required 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 disclosed 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 contract fulfilment costs is disclosed in the cost of sales.

The estimate of the amortisation periods to be applied is reviewed regularly. As a consequence of this review, the amortisation periods for certain contracts had to be extended. Without this change, the amortisation of cost components would have been €13.5 million higher in financial year 2023.

The applied amortisation periods are 2.5 to 4.5 years for costs to obtain contracts and 2.0 to 3.5 years for costs to fulfil contracts (previous year: costs to obtain contracts 2.5 to 4.0 years and costs to fulfil contracts 2.0 to 3.0 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 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-term 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 where the liability is incurred 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 here 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 antenna sites, buildings and vehicles.

The determination of whether an arrangement contains a lease is based on the substance of the arrangement at the time it is entered into and requires an assessment of whether the fulfilment of the contractual arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

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.

**Rights of use**

The Group recognises rights of use as at date of provision (i.e. the date on which the underlying leased asset is available for use). Rights of use are measured at cost 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 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. 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 25 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.

### Leasing 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 expected to be paid under 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 incremental borrowing rate of interest as at 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 lease liabilities is increased to reflect the higher interest expense and decreased to reflect lease payments made. In addition, the carrying amount of lease liabilities is reassessed in the event of changes in the lease, changes in the term of the lease, changes in lease payments (for example, changes in future lease payments resulting from a change in the index or interest rate used to determine those 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 foresee the delivery of the assets within a period of time defined by regulations or conventions of the relevant market (standard market purchases) are recognised on the trading day, i.e. on the day on which the Group has assumed the obligation to purchase or sell 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 must be reviewed for impairments. 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 the time of initial recognition, the Group may make an irrevocable choice to classify its equity instruments as at fair value through other comprehensive income, provided that they satisfy the definition of equity in accordance with 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 amortised costs 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 programmes (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 inflow of the reimbursement is virtually 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. Agreements settled using equity instruments 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 recognised in personnel expenses 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 each other 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.

Pursuant to the IAS 12 Amendment International Tax Reform - Pillar Two Model Rules, 1&1 Group applies the temporary, mandatory exemption from accounting deferred taxes that could result from the introduction of global minimum taxation.

The only jurisdictions to be included for Pillar Two purposes, Germany and Austria, have already enacted final implementing legislation.

The comprehensive analysis based on Qualified CbCR data from the current financial year and the previous three financial years as well as the forecast for future financial years shows that once the legislation comes into force, Germany and Austria presumably will not qualify as low-tax countries for Pillar Two purposes.

The regulations on global minimum taxation (Pillar Two) have applied to United Internet Group, in whose consolidated financial statements 1&1 Group is included, since January 1, 2024

## 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 items | Measurement |
|---|---|
| **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 |
| Prepaid expenses | At amortised cost |
| Other financial assets | At amortised cost or at fair value through other comprehensive income in other results without reclassification cumulative gains and losses upon derecognition |
| Income tax claims | 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 |
| Tangible assets | At amortised cost |
| Intangible assets | |
| With determinate useful life | At amortised cost |
| With indeterminate useful life | Impairment-only recognition |
| Not yet usable | Impairment-only recognition |
| 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 |
| Accounts 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 Change of accounting and valuation methods

The Group has reclassified the cash inflows and outflows from interest in the cash flow statement and no longer discloses them in the operating area; this enhances the consistency of EBITDA and free cash flow. Cash inflows from interest are now reported in the cash flow from investing activities, and cash outflows from interest are reported in the cash flow from financing activities. As the interest result is not included in the EBITDA — which serves as a measure of the operating result and excludes interest, taxes, depreciation and amortisation — the inclusion of interest payments in the operating cash flow can lead to a distortion of the actual operating performance. The reclassification of interest payments provides a better representation of the Company's financial results and a higher consistency between EBITDA and free cash flow, contributing to a more accurate analysis of the Company's financial performance and enabling a more transparent presentation with regard to the capital structure and the ability to repay debts. It also gives investors and other stakeholders a better understanding of the Company's financial performance.

## 2.3 Effects of new or amended IFRS

In financial year 2023, 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 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 |
| Amendments to: IAS 12 | Amendment: Exemption from the obligation to recognize deferred taxes from the implementation of the Pillar Two rules and obligation to disclose that the exemption has been used* | 01/01/2023 | Yes |
| Amendments to: IFRS 17 | Amendment: Replaces the previously applicable transitional standard IFRS 4. The standard regulates the accounting treatment of insurance contracts | 01/01/2023 | Yes |
| Amendments to: IFRS 17 | Amendment: Comparative information on the first-time application of IFRS 17 and IFRS 9 | 01/01/2023 | Yes |

* For further information on Pillar Two regulations, please refer to Note 2.1 Current and deferred taxes.

These amendments did not have any material impact on the consolidated financial statements and are not expected to have a material impact on the Group in the future.

## 2.4 Announced accounting standards that have not yet become effective

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 during preparation of the consolidated financial statements until their application becomes mandatory.

| Standard | | Mandatory application for financial years beginning as of | adoption by EU Commission |
|---|---|---|---|
| Amendments to: IAS 1 | Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current; Non-current Liabilities with Covenants | 01/01/2024 | Yes |
| Amendments to: IAS 7 and IFRS 7 | Disclosure requirements in connection with Supplier Finance Arrangements | 01/01/2024 | No |
| Amendments to: IFRS 16 | Leasing liabilities within the scope of a sale and leaseback | 01/01/2024 | Yes |
| Änderung an: IAS 21 | Change: Lack of exchangeability of a currency | 01.01.2025 | 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.

## 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 effect on the assumed cost structure, the impairment tests and (consequently) the consolidated annual financial statements.

## General economic situation

In 2023, society, politics and the economy continued to face complex macroeconomic challenges resulting from a combination of high interest rates, subdued growth expectations, a tense financing framework, falling trade growth and declining confidence among companies and consumers. In addition to the destabilising effects of the war in Ukraine, the war in the Middle East is also contributing to increased uncertainty regarding the economic future. The 1&1 Group is responding to this by actively accepting the current challenges and integrating them into its business decisions, in particular by developing strategies to minimise risk, such as diversified procurement strategies to ensure a secure and fair energy supply. This will not have any direct significant impact on 1&1, however.

The 1&1 Group, which operates exclusively in Germany, is nevertheless confronted with the indirect effects. In light of the uncertain security situation caused by the war in the Middle East and the war in Ukraine, particularly in the area surrounding the access and transit of the Suez Canal, and the potential indirect impact on global business processes, 1&1 has developed proactive risk management and mitigation strategies:

- Cybersecurity risks: In light of the increased cybersecurity threats associated with the wars in the Middle East and Ukraine, the company is intensifying its investments in cybersecurity measures. These include the use of advanced monitoring techniques, the performance of regular security audits and the training of its employees to strengthen its defences against cyber attacks.

- Hardware bottlenecks: The company is adapting its logistics and procurement strategies in order to overcome potential hardware bottlenecks that could be caused by the uncertain security situation surrounding the access and transit of the Suez Canal, exacerbated by the war in the Middle East. Among other things, this is being done by increasing the stock of hardware in order to cushion potential supply disruptions.

1&1 also takes account of developments in the economic environment in its accounting and reporting in the consolidated financial statements, e.g. when determining the recoverability of goodwill or the measurement of provisions.

However, this will not have any direct significant impact on 1&1.

The Management Board and those responsible for operations will monitor further developments closely and initiate suitable countermeasures (if possible).

**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 (e.g. payment default rates) 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 extension of the estimated amortisation periods in the 2023 financial year led to a decrease of € 13.5 million in the amortisation of cost components. The carrying value of the capitalised costs of obtaining contracts as at 31 December 2023 amounts to €191,446k (31/12/2022: €157,182k). The carrying value of the capitalised costs for fulfilling contracts as at 31 December 2023 amounts to €84,288k (31/12/2022: €70,334k). 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 utilisation value or the fair value less selling costs requires management to estimate the presumable future cash flow of the asset or the cash-generating unit and to select a reasonable discount rate so that the present value of this cash flow can be determined. 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 as at 31 December 2023 amounts to €2,932,943k (31/12/2022: €2,932,943k). The carrying value of intangible assets with indeterminate useful lives is €53,200k (31/12/2022: €53,200k). The carrying value of the frequency licences acquired in financial year 2019 is €1,028,921k (31/12/2022: €1,069,740k). Of this amount, €334,997k (previous year: €334,997k) 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 €1,374k resulted (previous year: €1,659k). 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 liabilities 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 liabilities 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 as at 31 December 2023 amounts to €61,782k (31/12/2022: €28,765k) and relates mainly to current taxes for financial year 2023. 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 for operation of 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 as at 31 December 2023 is €333,372k (31/12/2022: €267,820k). The carrying value of the contract assets as at 31 December 2023 amounts to €873,333k (31/12/2022: €855,455k). For additional information, see items 17 and 18 of the notes.

### 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 as at the balance sheet date 31 December 2023 come to €177,999k (31/12/2022: €120,385k). 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 with limited useful life as at 31 December 2023 amounts to €2,061,173k (31/12/2022: €1,853,196k; of which frequency licences €1,028,921k, 31/12/2022: €1,069,740k). 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 as at 31 December 2023 amounts to €66,044k (31/12/2022: €42,964k). 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 organisational and management structure of the Group and of the internal financial reporting to the superior management position (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 Access segment, revenues are generated from the offered access services to telecommunication 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 (31/12/2022: €2,932,943k) is the responsibility of the CODM at the level of the "Access" segment.

The EBITDA in the 1&1 Mobile Network segment in the amount of €-132,375k (previous year: €-52,396k) contains solely and exclusively costs related to the rollout and operation of the Company's own 1&1 mobile network. Sales revenues were generated in the 1&1 Mobile Network segment for the first time in the reporting year.

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 Access segment primarily in terms of service revenues, of the segment cost of materials, the number of chargeable customer contracts, the adjusted earnings before interest, taxes, depreciation and amortisation (comparable operating EBITDA) determined on the basis of IFRS accounting methods (IFRS as they are to be applied in the EU) and the Cash-Capex (expenditure on investments). Transactions between the segments are charged at market prices. EBITDA without adjustments corresponds to the comparable operating EBITDA for the 2023 and 2022 financial years.

The segment cost of materials includes the cost of purchased services and goods and therefore corresponds to the cost of sales according to the statement of comprehensive income less personnel expenses, depreciation and amortisation and plus commissions to third parties.

The Group's segment reporting for financial year 2023 is presented below:

| | Access | 1&1 Mobile Network | Consolidation | Total |
|---|---|---|---|---|
| | €k | €k | €k | €k |
| Service revenues | 3,243,219 | 0 | 0 | 3,243,219 |
| Hardware and Other revenues | 853,482 | 0 | 0 | 853,482 |
| Intercompany revenues* | 0 | 70 | -70 | 0 |
| **Segment revenues** | **4,096,701** | **70** | **-70** | **4,096,701** |
| **Cost of materials for segment** | **-2,729,503** | **-110,214** | **70** | **-2,839,647** |
| **Gross profit for segment** | **1,367,198** | **-110,144** | **0** | **1,257,054** |
| **Segment EBITDA** | **786,222** | **-132,375** | **0** | **653,847** |
| **Customer contracts (in milllions)** | **16.26** | **-** | **-** | **16.26** |

*No internal sales were generated in the 1&1 Mobile Network segment in the 2022 reporting year.

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

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

All revenues were realised in Germany.

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

| | 2023 | 2022 |
|---|---|---|
| | €k | €k |
| Total segment profits (EBITDA) | 653,847 | 693,297 |
| Write-offs | -198,029 | -158,403 |
| **Operating results** | **455,818** | **534,894** |
| Financial results | 9,065 | -3,354 |
| **Earnings before income taxes** | **464,883** | **531,540** |

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:

| | 2023 | 2022 |
|---|---|---|
| | €m | €m |
| Service revenues | 3,243 | 3,176 |
| Hardware and Other revenues | 854 | 788 |
| **Total** | **4,097** | **3,964** |

The Group discloses valuation allowances on trade accounts receivable 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 €105,385k (previous year: €107,284k).

Contract balances developed as shown below during financial year 2023:

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| | €k | €k |
| Trade accounts receivable (item 17 of the notes) | 333,372 | 267,820 |
| Contract assets (item 18 of the notes) | 873,333 | 855,455 |
| Contract liabilities (item 30 of the notes) | 62,629 | 55,595 |

In financial year 2023, the amount of €14,613k (previous year: €14,219k) 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 €1,553,502k as at 31 December 2023 (previous year: €1,288,071k). 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 following table shows the time frames indicating when a realisation of the transaction prices from not yet satisfied or partially unsatisfied performance obligations is to be expected:

31 December 2023:

| **in €k** | | | **Total** |
|---|---|---|---|
| 2024 | 2025 | >2025 | |
| 1,140,640 | 412,862 | 0 | 1,553,502 |

31 December 2022:

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

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:

| | 2023<br>€k | 2022<br>€k |
|---|---|---|
| Expenditures for purchased services | 1,726,796 | 1,715,650 |
| Expenditures for purchased goods | 883,755 | 796,780 |
| Write-offs | 96,353 | 49,040 |
| Personnel expenses | 94,734 | 81,260 |
| Miscellaneous | 136,017 | 91,770 |
| **Total** | **2,937,655** | **2,734,500** |

Cost of sales raised in relation to the sales revenues in comparison with the previous year to 71.7 percent (previous year: 69.0 percent), leading to an decrease in the gross margin to 28.3 percent (previous year: 31.0 percent).

The cost of sales in the 1&1 Mobile Network segment amounted to €166,832k for the reporting period 2023 (previous year: €40,868k) and particularly related to the costs of setting up and operating the 1&1 mobile network. The cost of sales also includes amortisation of the usable 5G frequencies amounting to € 40,819k (previous year: € 447k).

The Access segment accounted for cost of sales of €2,770,893k (previous year: €2,693,632k) for the reporting period 2023. This includes cost of sales from internal relationships totalling €70k (previous year: €0).

Other costs of sales encompass primarily data centre and logistics costs.

# 6. Distribution Costs

The distribution costs developed as follows:

| | 2023 | 2022 |
|---|---|---|
| | €k | €k |
| Marketing expenses | 171,282 | 167,737 |
| Personnel expenses | 117,175 | 103,188 |
| Write-offs | 93,983 | 99,541 |
| Sales commissions | 93,079 | 96,772 |
| Miscellaneous | 37,716 | 42,359 |
| **Total** | **513,235** | **509,597** |

Other distribution costs comprise essentially customer care and product management.

# 7. Administration Costs

The administration costs break down as follows:

| | 2023 | 2022 |
|---|---|---|
| | €k | €k |
| Purchased work | 31,899 | 27,161 |
| Personnel expenses | 26,244 | 28,916 |
| Expenses for money transactions | 14,656 | 13,121 |
| Legal and professional fees | 12,037 | 9,998 |
| Receivables management | 9,704 | 7,927 |
| Write-downs | 7,693 | 9,822 |
| Miscellaneous | 13,410 | 13,965 |
| **Total** | **115,643** | **110,910** |

Other administration expenses relate predominantly to maintenance costs and insurance premiums.

# 8. Other Operating Expenses

Other operating expenses break down as follows:

| | 2023<br>€k | 2022<br>€k |
|---|---:|---:|
| Expenses related to other periods | 1,581 | 933 |
| Other taxes | 278 | 249 |
| Miscellaneous | 769 | 1,305 |
| **Total** | **2,628** | **2,487** |

# 9. Other Operating Income

Other operating income breaks down as follows:

| | 2023<br>€k | 2022<br>€k |
|---|---:|---:|
| Income from dunning charges and return debit notes | 22,861 | 20,357 |
| Damages | 7,606 | 8,441 |
| Income related to other periods | 1,177 | 1,175 |
| Rental income | 220 | 456 |
| Income from foreign currency translation | 139 | 150 |
| Miscellaneous | 1,660 | 5,402 |
| **Total** | **33,663** | **35,981** |

# 10. Impairment Losses from Receivables and Contract Assets

Impairment losses from receivables and contract assets comprise the following:

| | 2023 | 2022 |
|---|---|---|
| | €k | €k |
| Contract assets | 53,047 | 48,284 |
| Trade accounts receivable | 52,338 | 59,000 |
| **Total** | **105,385** | **107,284** |

For impairment losses, please refer to notes 2.1 "Impairment of financial assets", 17 "Trade receivables" and 18 "Contract assets".

# 11. Write-downs

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:

| | 2023 | 2022 |
|---|---|---|
| | €k | €k |
| Cost of sales | 96,353 | 49,040 |
| Distribution costs | 93,983 | 99,541 |
| Administration costs | 7,693 | 9,822 |
| **Total** | **198,029** | **158,403** |

The depreciation and amortisation in the cost of sales of €46,870k (previous year: €447k) relate to the 1&1 Mobile Network segment; €40,819k relate in particular to the amortisation of mobile frequencies. Depreciation and amortisations in the 1&1 Mobile Network segment began with the network launch on 28 December 2022.

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:

| | 2023<br>€k | 2022<br>€k |
|---|---|---|
| Clientele | 86,177 | 92,554 |
| Software | 0 | 213 |
| **Total** | **86,177** | **92,767** |

This figure includes depreciation and amortisation of €57,138k (previous year: €63,674k) 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 as at the balance sheet date.

The write-offs are distributed among the assets capitalised among the various business divisions within the framework of corporate acquisitions as follows:

| | 2023<br>€k | 2022<br>€k |
|---|---|---|
| Cost of sales | 0 | 213 |
| Distribution costs | 86,177 | 92,554 |
| **Total** | **86,177** | **92,767** |

## 12. Personnel Expenses

Personnel expenses are distributed among the business divisions as follows:

| | 2023<br>€k | 2022<br>€k |
|---|---|---|
| Cost of sales | 94,734 | 81,260 |
| Distribution costs | 117,175 | 103,188 |
| Administration costs | 26,244 | 28,916 |
| **Total** | **238,153** | **213,364** |

Personnel expenses comprise the expenses for wages and salaries in the amount of €202,907k (previous year: €181,854k) and the expenses for social security in the amount of €35,246k (previous year: €31,510k).

As at the balance sheet date 31 December 2023, the number of employees (headcount) was 3,320 (31/12/2022: 3,163). The average number of employees during financial year 2023 was 3,255 (previous year: 3,163).

There are contribution-oriented commitments in the Group regarding company pension plans. In the case of the contribution-oriented commitments (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 2023, they total €15,635k (previous year: €15,270k) and include primarily the contributions paid to the government pension insurer in Germany.

## 13. Financing Expenses

The financing expenses break down as follows:

| | 2023<br>€k | 2022<br>€k |
|---|---|---|
| Interest expenses from deferral of frequency liabilities | 6,050 | 6,473 |
| Interest from leasing liabilities | 4,711 | 1,646 |
| Interest expenses from tax audits | 392 | 103 |
| Guarantee commissions | 27 | 25 |
| Miscellaneous | 123 | 31 |
| **Total** | **11,303** | **8,278** |

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 radio frequencies was extended until 2030.

## 14. Financial Income

The financial income breaks down as follows:

| | 2023 | 2022 |
|---|---|---|
| | €k | €k |
| Interest and similar income associated companies | 19,700 | 3,639 |
| Interest income from tax audits | 189 | 809 |
| Miscellaneous | 479 | 476 |
| **Total** | **20,368** | **4,924** |

Interest income concerns above all interest paid on the investment of free cash at United Internet AG. The increase results from the higher interest rate level.

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:

| | 2023 | 2022 |
|---|---|---|
| | €k | €k |
| Current taxes on income | 166,082 | 159,671 |
| Deferred taxes | -16,149 | 4,541 |
| **Disclosed expenses for income taxes** | **149,933** | **164,212** |

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 2023 was about 14.61 percent (previous year: 14.42 percent). This led to an increase in the Group tax rate to 30.44 percent (previous year: 30.25 percent).

The current taxes on income include out-of-period tax expenses in the amount of €3,963k (previous year: €649k).

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:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Deferred tax assets €k | Deferred tax liabilities €k | Deferred tax assets €k | Deferred tax liabilities €k |
| Intangible assets | 19,662 | -95,218 | 29,986 | -123,003 |
| Tangible assets | 0 | -63,599 | 0 | -33,072 |
| Inventories | 64 | -35 | 66 | -117 |
| Contract assets | 0 | -236,601 | 0 | -231,340 |
| Other assets | 49 | -5,579 | 910 | -5,789 |
| Prepaid expenses | 190,300 | -87,493 | 171,212 | -69,132 |
| Other provisions | 19,998 | -5,962 | 13,605 | -8,506 |
| Contract liabilities | 9,244 | -9,466 | 7,139 | -8,913 |
| Other liabilities | 56,855 | 0 | 32,903 | 0 |
| **Gross value** | **296,172** | **-503,953** | **255,821** | **-479,872** |
| Balance sheet item | -296,172 | 296,172 | -255,821 | 255,821 |
| **Consolidated balance sheet** | **0** | **-207,781** | **0** | **-224,051** |

The net liability position of deferred taxes as at the balance sheet date 31 December 2023 totalled €207,781k (31/12/2022: €224,051k).

The total amount of the change in the balance of deferred taxes amounts to €16,270k (previous year: €-4,668k).

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 as well as provisions for restoration obligations and litigation cost risks.

The change in the balance of the deferred taxes in comparison with their status as at 31 December 2022 can be determined as shown below:

| | 2023 | 2022 |
|---|---|---|
| | €k | €k |
| Deferred tax income/tax expenses | 16,149 | -4,541 |
| Changes recognised through other comprehensive income: | | |
| - Directly through other equity | 121 | -127 |
| **Change in the balance of deferred taxes** | **16,270** | **-4,668** |

The transition from the overall tax rate to the effective tax rate of the ongoing activities is shown in simplified form below:

| | 2023 | 2022 |
|---|---|---|
| Expected tax rate | 30.4% | 30.3% |
| | **€k** | **€k** |
| Profit before income taxes from continued operations | 464,883 | 531,540 |
| - Tax expenses from application of the income tax rate | 141,464 | 160,791 |
| - Tax rate changes | 1,333 | 1,681 |
| - Actual taxes previous years | 3,963 | 649 |
| - Balance of other tax-exempt income and non-deductible expenses as well as trade tax additions and deductions | 3,173 | 1,091 |
| **Tax expenses pursuant to comprehensive income statement** | **149,933** | **164,212** |
| **Effective tax rate** | **32.3%** | **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 2023, net trade accounts receivable amounted to €333,372k (31/12/2022: €267,820k) and break down as follows:

| | 31/12/2023<br>€k | 31/12/2022<br>€k |
|---|---|---|
| Trade accounts receivable, gross | 407,130 | 337,385 |
| **Less** | | |
| Valuation allowances | -73,758 | -69,565 |
| **Trade accounts receivable, net** | **333,372** | **267,820** |
| of which trade receivables — short-term | 333,372 | 267,820 |
| of which trade receivables — long-term | 0 | 0 |

Customers' payment behaviour improved slightly compared to the previous year, which had a positive effect on the value adjustments on trade receivables.

The development of the valuation allowances account is presented below:

| | 2023<br>€k | 2022<br>€k |
|---|---|---|
| Balance at 1 January | 69,565 | 55,550 |
| Utilisation | -48,145 | -44,985 |
| Additions through expenses | 60,729 | 63,495 |
| Reversal | -8,391 | -4,495 |
| **As at 31 December** | **73,758** | **69,565** |

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 abovementioned 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:

| | 31/12/2023<br>€k | 31/12/2022<br>€k |
|---|---|---|
| Trade accounts receivable, net | | |
| 0-5 days | 291,234 | 234,791 |
| 6-15 days | 6,721 | 5,498 |
| 16-30 days | 6,292 | 5,774 |
| 31-180 days | 23,170 | 18,394 |
| 181-365 days | 5,636 | 3,351 |
| > 365 days | 319 | 12 |
| **Total** | **333,372** | **267,820** |

# 18. Contract Assets

As at the balance sheet date 31 December 2023, net contract assets amount to €873,333k (31/12/2022: €855,455k) and break down as follows:

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| | €k | €k |
| Contract assets, gross | 943,790 | 919,628 |
| **Less** | | |
| Valuation allowances | -70,457 | -64,173 |
| **Contract assets, net** | **873,333** | **855,455** |
| of which contract assets - short-term | 666,836 | 638,922 |
| of which contract assets - long-term | 206,497 | 216,533 |

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:

| | 2023 | 2022 |
|---|---|---|
| | €k | €k |
| As at 1 January | 64,173 | 59,831 |
| Additions through expenses | 53,047 | 48,284 |
| Utilisation | -46,763 | -43,942 |
| **As at 31 December** | **70,457** | **64,173** |

# 19. Accounts Due from Associated Companies

Accounts due from associated companies at the balance sheet date amount to €434,343k (31/12/2022: €570,763k) and concern group undertakings 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:

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| | €k | €k |
| **Merchandise, gross** | | |
| - Mobile services / Mobile internet | 162,873 | 109,601 |
| - Broadband hardware | 10,789 | 12,954 |
| - SIM cards | 11,007 | 5,933 |
| - Miscellaneous | 1,948 | 3,404 |
| | **186,617** | **131,892** |
| **Less** | | |
| Valuation allowances | -8,618 | -11,507 |
| **Inventories, net** | **177,999** | **120,385** |

The main reasons for the increase in inventories compared to 31 December 2022 were higher purchase prices for smartphones and deliveries of new smartphones close to the reporting date.

The cost of goods sold recognised in financial year 2023 as cost of materials under cost of sales from the sale of inventories amounts to €883,755k (previous year: €796,780k).

# 21. Prepaid Expenses

Prepaid expenses break down as follows:

| | | | 31/12/2023 |
|---|---|---|---|
| | Short-term | Long-term | Closing balances |
| | €k | €k | €k |
| Costs to obtain contracts | 91,726 | 99,720 | 191,446 |
| Costs to fulfil contracts | 44,576 | 39,712 | 84,288 |
| Advance payments wholesalers | 70,169 | 430,340 | 500,509 |
| Miscellaneous | 44,115 | 39,552 | 83,667 |
| **Total** | **250,586** | **609,324** | **859,910** |

| | Short-term | Long-term | 31/12/2022 Closing balances |
|---|---|---|---|
| | €k | €k | €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** |

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.

| | 2023 | 2022 |
|---|---|---|
| | €k | €k |
| Wholesale charges recognised through expenditures | 67,313 | 53,408 |
| Amortisation of capitalised costs to obtain contracts | 103,997 | 96,227 |
| Amortisation of capitalised costs to fulfil contracts | 48,010 | 50,080 |
| | **219,320** | **199,715** |

## 22. Other Short-term Financial Assets

The other short-term financial assets break down as follows:

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| | €k | €k |
| Receivables for promotion rebates | 30,046 | 18,743 |
| Creditors with debit balances | 12,046 | 6,091 |
| Miscellaneous | 528 | 452 |
| **Other financial assets** | **42,620** | **25,286** |

The increase in receivables for promotion rebates is due in particular to increased sales of smartphones at the end of the year.

## 23. Other Short-term Non-financial Assets

| | 31/12/2023 €k | 31/12/2022 €k |
|---|---|---|
| Value-added tax | 2,922 | 2,846 |
| Refund claims from return of hardware | 6,184 | 4,445 |
| **Other non-financial assets** | **9,106** | **7,291** |

## 24. Other Long-term Financial Assets

The composition of the other long-term financial assets can be seen in the following overview:

| | 31/12/2023 €k | 31/12/2022 €k |
|---|---|---|
| Participating interests | 1,963 | 1,622 |
| Other loans | 603 | 646 |
| **Total** | **2,566** | **2,268** |

# 25. Tangible Assets

Tangible assets as at the balance sheet date break down as follows:

| | 31/12/2023<br>€k | 31/12/2022<br>€k |
|---|---|---|
| **Acquisition costs, gross** | | |
| Land and buildings | 324 | 316 |
| Rights of use for land and buildings | 119,875 | 118,701 |
| Rights of use for fixtures, fittings and equipment | 13,349 | 8,929 |
| Rights of use to network infrastructure | 103,730 | 1,057 |
| Fixtures, fittings and equipment | 81,263 | 64,356 |
| Payments on account | 251,599 | 120,205 |
| | **570,140** | **313,564** |
| **Less** | | |
| Accrued amortisation | -69,111 | -50,909 |
| **Tangible assets, net** | **501,029** | **262,655** |

An alternative presentation of the development of tangible assets in financial years 2023 and 2022 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 €265,610k (31/12/2022: €123,866k).

The increase in rights of use to network infrastructure and advance payments made mainly relate 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 item 45 of the notes.

# 26. Intangible Assets (Excluding Goodwill)

Intangible assets excluding goodwill as at 31 December break down as follows:

| | 31/12/2023<br>€k | 31/12/2022<br>€k |
|---|---|---|
| **Acquisition costs, gross** | | |
| Spectrum | 1,070,187 | 1,070,187 |
| Clientele | 776,975 | 776,975 |
| Payments on account | 243,510 | 115,851 |
| Rights similar to concessions | 165,000 | 165,000 |
| Purchased software and licences | 144,979 | 141,888 |
| Trademarks | 56,300 | 56,300 |
| Own produced software | 14,443 | 17,126 |
| Rights of use to licences | 9,282 | 9,282 |
| | **2,480,676** | **2,352,609** |
| **Less** | | |
| Accrued amortisation | -920,532 | -762,068 |
| **Intangible assets, net** | **1,560,144** | **1,590,541** |

An alternative presentation of the development of intangible assets in financial years 2023 and 2022 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 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 (31/12/2022: €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 (trade mark rights) amount to €53,200k (31/12/2022: €53,200k). The useful life of the trade mark 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 as at the balance sheet date. In the financial year, there were no indications for a further impairment or write-up of the devalued trade mark rights.

The following table gives an overview of the trade mark rights attributed to the CGU Access of 1&1:

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| | €k | €k |
| WinSim | 9,800 | 9,800 |
| yourfone | 16,600 | 16,600 |
| smartmobil.de | 15,000 | 15,000 |
| simply | 5,200 | 5,200 |
| PremiumSIM | 2,200 | 2,200 |
| DeutschlandSIM | 4,400 | 4,400 |
| **Total** | **53,200** | **53,200** |

As at the balance sheet date, there are purchase obligations for intangible assets of €66,707k (31/12/2022: €142,956k); 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 5G auction frequency auction that ended on 12 June 2019 and 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 31 December 2040. The frequency blocks in the 3.6 GHz bandwidth are available since purchase date 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 2023, the carrying values of the frequency blocks break down as follows:

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Frequency block | €k | €k |
| 3.6 GHz | 693,924 | 734,743 |
| 2.0 GHz | 334,997 | 334,997 |
| **Total** | **1,028,921** | **1,069,740** |

In financial year 2023, write-downs of €40,819k were taken for the frequency blocks in the 3.6 GHz bandwidth (previous year: €447k). The amortisation of the acquired frequency blocks in the 2 GHz bandwidth will not commence until the beginning of the allocated term. The impairment test was performed as at 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 the 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 2023 and in the previous year, there were no indications of any impairments after completion of the impairment tests.

### Scheduled impairment test as at 31 December 2023

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 2023 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 | 2023 | 100% | 1.0% | 10.3% | 2.9% |
| | 2022 | 100% | 0.5% | 8.8% | 2.0% |

*Detailed planning period until the end of financial year 2028

The cash flow forecasts are based on a Group budget calculation for financial year 2024 and a planning calculation for financial years 2025 to 2028. These planning calculations were extrapolated for the cash-generating unit by management 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 2028 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 2.9 percent (previous year: 2.0 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 1.0 percent (previous year: 0.5 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 10.3 percent (previous year: 8.8 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 2023 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 2024 to 2040. As the spectrum runs until 2040, the measurement was carried out over the period from 2024 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 6.0 percent (previous year: 5.1 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 €261 million. According to current knowledge, the Company management does not expect any significant deviations for the planned costs for passive infrastructure as well as for the costs of network construction because of the contractual structures with the partners for network expansion. 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 €277,053k as at the balance sheet date 31 December 2023 (31/12/2022: €229,137k). 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 liabilities due to associated companies as at the balance sheet date 31 December 2023 amount to €165,461k (31/12/2022: €77,927k) 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 liabilities due to associated companies.

## 30. Contract Liabilities

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| | €k | €k |
| Contract liabilities | 62,629 | 55,595 |
| - of which short-term | 51,564 | 48,298 |
| - of which long-term | 11,065 | 7,297 |
| **Total** | **62,629** | **55,595** |

## 31. Income Tax Assets/Income Tax Liabilities

Income tax assets mainly relate to receivables due from fiscal authorities in Germany and amounted to €9,744k (31/12/2022: €6,061k) as at the reporting date.

The income tax liabilities in the amount of €61,782k (31/12/2022: €28,765k) 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:

| | Dismantling obligations | Litigation risks | Termination fees | Miscellaneous | Total |
|---|---|---|---|---|---|
| | €k | €k | €k | €k | €k |
| 01 January 2023 | 229 | 3,182 | 38,303 | 1,250 | 42,964 |
| Utilisation | 0 | 519 | 10,663 | 130 | 11,312 |
| Reversal | 0 | 83 | 0 | 20 | 103 |
| Allocation | 9,286 | 20,348 | 4,861 | 0 | 34,495 |
| **31 December 2023** | **9,515** | **22,928** | **32,501** | **1,100** | **66,044** |

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 provision for dismantling obligations relates in particular to the antenna sites in the 1&1 mobile communications network.

The other provisions are mainly warranty provisions.

Provisions in the amount of €32,501k (31/12/2022: €38,321k) have a term of one to five years and provisions in the amount of €9,515k (31/12/2022: €230k) have a term of more than five years.

## 33. Other Short-term Financial Liabilities

The other short-term financial liabilities break down as follows:

| | 31/12/2023<br>€k | 31/12/2022<br>€k |
|---|---|---|
| **Other short-term financial liabilities** | | |
| Frequency liabilities | 61,266 | 61,266 |
| Marketing and distribution costs / distribution commissions | 17,196 | 15,302 |
| Liabilities from salaries / personnel | 14,653 | 11,803 |
| Obligations pursuant to leases | 17,996 | 10,977 |
| Customers with credit balances | 5,915 | 7,079 |
| Legal and professional fees, closing expenses | 2,982 | 1,074 |
| Miscellaneous | 7,779 | 13,950 |
| **Total** | **127,787** | **121,451** |

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:

| | 31/12/2023<br>€k | 31/12/2022<br>€k |
|---|---|---|
| **Other short-term non-financial liabilities** | | |
| Value-added tax | 5,661 | 37,078 |
| Income and church tax due | 3,276 | 2,626 |
| **Total** | **8,937** | **39,704** |

Until 30 April 2023, 1&1 AG acted as the VAT group parent company. Since 1 May 2023, 1&1 AG and its previous controlled companies have been part of the VAT group of United Internet AG. VAT liabilities are now recognised under liabilities to related parties.

# 35. Other Long-term Financial Liabilities

The other long-term financial liabilities break down as follows:

| | 31/12/2023 €k | 31/12/2022 €k |
|---|---|---|
| **Other long-term financial liabilities** | | |
| Frequency liabilities | 702,592 | 763,858 |
| Obligations pursuant to leases | 170,511 | 91,692 |
| Miscellaneous | 2,655 | 2,100 |
| **Total** | **875,758** | **857,650** |

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 2023 is presented below:

| | Up to 1 year €k | 1 to 5 years €k | More than 5 years €k | Total €k |
|---|---|---|---|---|
| Trade accounts payable | 277,053 | 0 | 0 | 277,053 |
| Liabilities due to associated companies | 165,461 | 0 | 0 | 165,461 |
| Contract liabilities | 51,564 | 11,065 | 0 | 62,629 |
| Other financial liabilities | 127,787 | 560,541 | 315,217 | 1,003,545 |
| Other non-financial liabilities | 8,937 | 0 | 0 | 8,937 |
| Other provisions | 24,028 | 32,501 | 9,515 | 66,044 |
| Income tax liabilities | 61,782 | 0 | 0 | 61,782 |
| **Total** | **716,612** | **604,107** | **324,732** | **1,645,451** |

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 | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|
| | €k | €k | €k | €k |
| Trade accounts payable | 229,137 | 0 | 0 | 229,137 |
| Accounts 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** |

# 37. Share-based Payment

There are two different employee stock ownership programmes in the reporting year 2023: 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, was aimed at executives and executive employees of many years' standing and was based on virtual stock options of United Internet AG. From the perspective of 1&1, this share-based remuneration was to be presented as share-based remuneration with cash settlement ("cash-settled").

In accordance with the provisions of IFRS 2, the SAR programme was recognised as a provision. There was no effect on earnings in this context in the 2023 financial year (previous year: income of € 175 thousand). The outstanding 100,000 virtual share options expired in the 2023 financial year and the programme was terminated.

### Stock Appreciation Rights Drillisch (SAR Drillisch)

The programme is 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 Drillisch 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). In 2023, an additional issue (second issue) of SARs was made for existing participants. As part of the second issue, the payout amount of the first issue was offset against the second issue.

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 due to the exercise hurdle not being reached can be exercised in the next regular exercise window of the tranche.

The fair value of the options issued at the grant date was determined using an option pricing model based on the Black-Scholes valuation model in accordance with IFRS 2. A Monte Carlo simulation was used to calculate the fair value of the secondary issues in order to illustrate the offsetting of the payout amount between the old tranche (dated 17 April 2020) and the second tranche (dated 1 August 2023) for selected participants. As part of the simulation, the earliest possible exercise was assumed with regard to the exercise windows. In addition, both the limit on the payout per SAR and the respective exercise hurdles per tranche were taken into account. In accordance with IFRS 2.B34, a dividend yield based on the dividend for the respective financial year and the share price of 1&1 AG on the reporting date was taken into account in the valuation of the SARs. The fair value of the options issued at the grant date is calculated as follows:

## Valuation parameters in financial year

| Issue Date | 01/06/2023 | | 01/08/2023 | |
|---|---|---|---|---|
| Number of SARs | 28,000 | | 2,765,000 | |
| Initial price | 10.14 | € | 10.24 | € |
| Exercise price | 10.27 | € | 10.14 | € |
| Average market value per option | 1.84 | € | 2.18 | € |
| Dividend return | 0.49 | % | 0.49 | % |
| Volatility of the stock | 29.89 | % | 29.65 | % |
| Expected duration | 2 to 5 | Jahre | 2 to 5 | Jahre |
| Risk-free interest (2 to 5 years) | 2,64 - 2,20 | % | 3,99 - 3,70 | %* |

*The cost of debt rate was used to determine the fair value of the tranches as at 1 August 2023.

| Issue Date | 01/01/2022 | | 01/04/2023 | | 01/05/2023 | |
|---|---|---|---|---|---|---|
| Number of SARs | 21,000 | | 385,000 | | 150,000 | |
| Initial price | 13.49 | € | 10.27 | € | 10.54 | € |
| Exercise price | 14.28 | € | 10.77 | € | 10.47 | € |
| Average market value per option | 1.81 | € | 1.7 | € | 1.89 | € |
| Dividend return | 0.37 | % | 0.49 | % | 0.47 | % |
| Volatility of the stock | 22.47 | % | 28.83 | % | 28.99 | % |
| Expected duration | 2 to 5 | Jahre | 2 to 5 | Jahre | 2 to 5 | Jahre |
| Risk-free interest (2 to 5 years) | 1,70 - 1,90 | % | 2,62 - 2,31 | % | 2,63 - 2,28 | % |

| Issue Date | 17/04/2020 | | 01/06/2020 | | 01/06/2020 | |
|---|---|---|---|---|---|---|
| Number of SARs | 1,625,100 | | 270,000 | | 228,400 | |
| Initial price | 19.84 | € | 22.95 | € | 26.30 | € |
| Exercise price | 19.07 | € | 23.20 | € | 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 (2 to 5 years) | 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:

| | 2023<br>€k | 2022<br>€k |
|---|---|---|
| Expected total expense from the employee stock ownership programme | 15,065 | 9,871 |
| Cumulative expenses until the end of the financial year | 8,251 | 6,877 |
| Expenditure expected to be incurred in future years | 6,814 | 2,994 |
| Personnel expenses in the financial year | 1,374 | 1,834 |

The changes in the vested or outstanding virtual share options can be seen in the following table:

| | SAR | Average exercise price (€) |
|---|---|---|
| **Outstanding per 31 December 2022** | **2,627,500** | **20.58** |
| Lapsed/forfeited | -483,000 | 21.76 |
| Newly vested | 385,000 | 10.77 |
| Newly vested | 150,000 | 10.47 |
| Newly vested | 28,000 | 10.27 |
| Newly vested | 2,765,000 | 10.14 |
| **Outstanding per 31 December 2023** | **5,472,500** | **14.18** |

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 eligible for the option, the amount of which resulted 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.

As at 31 December 2023, 1&1 AG held 465,000 treasury shares (31/12/2022: 465,000 shares).

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 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 Company by-laws in accordance with the specific utilisation of the Approved Capital 2022 or after the expiration of the authorisation.

**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 fiscal 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 as at 31 December 2023 came to €2,439,314k (31/12/2022: €2,437,940k). The increase in the capital reserves results from the addition of €1,374k within the framework of employee stock option programmes.

Other equity in the amount of €-862k (previous year €-586k) includes the result from categories that are not subsequently reclassified in the profit and loss account and results essentially from the application of the IFRS 9 regulations for the measurement of financial assets. In this case, changes in the fair market value of these financial assets are recognised through other comprehensive income in other equity.

## 40. Treasury Stock

The General Meeting on 18 May 2022 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 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 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 stock-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 2023.

Per 31 December 2023, 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 2023:

| | Evaluation category per IFRS 9 | Carrying value as at 31/12/2023 €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 31/12/2023 €k |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and cashequivalents | ac | 3,197 | 3,197 | | | 3,197 |
| Trade accounts receivable | ac | 333,372 | 333,372 | | | 333,372 |
| Accounts due from associated companies | ac | 434,343 | 434,343 | | | 434,343 |
| Other short-term financial assets | ac | 42,620 | 42,620 | | | 42,620 |
| Other long-term financial assets | | | | | | |
| - Participating interests | fvoci | 1,963 | | 1,963 | | 1,963 |
| - Miscellaneous | ac | 603 | 603 | | | 603 |
| **Financial liabilities** | | | | | | |
| Trade accounts payable | ac | -277,053 | -277,053 | | | -277,053 |
| Liabilities due to associated companies | ac | -165,461 | -165,461 | | | -165,461 |
| Other short-term financial liabilities | ac/n/a | | | | | |
| - Lease obligations | n/a | -17,996 | | | -17,996 | |
| - Miscellaneous | ac/n/a | -109,791 | -95,138 | | | -95,138 |
| Other long-term financial liabilities | ac/n/a | | | | | |
| - Lease obligations | n/a | -170,511 | | | -170,511 | |
| - Frequenzverbindlichkeiten | ac | -702,592 | -702,592 | | | -593,659 |
| - Miscellaneous | ac | -2,655 | -2,655 | | | -2,655 |
| of which aggregated per classification categories: | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Financial assets at amortised cost | ac | 814,135 | 814,135 | | | 814,135 |
| Financial assets at fair value through other comprehensive income without recycling to profit and loss | fvoci | 1,963 | | 1,963 | | 1,963 |
| Financial liabilities at amortised acquisition cost | ac | -1,257,552 | -1,242,899 | | | -1,133,966 |
| Leasing obligations | n/a | -188,507 | | | -188,507 | |

The following net results were disclosed for the specific categories of financial instruments pursuant to IFRS 9 in financial year 2023:

| **2023** | **Measurement categories per IFRS 9** | **From interest and dividends** | **Currency translation** | **Valuation allowance** | **Net result** |
|---|---|---|---|---|---|
| Net result according to measurement categories | | €k | €k | €k | €k |
| Financial assets measured at amortised cost | ac | 20,179 | 67 | -52,338 | -32,092 |
| Financial assets measured at fair value (through other comprehensive income) | fvoci | 0 | 0 | 0 | 0 |
| Financial liabilities measured at amortised cost | ac | -6,104 | 29 | 0 | -6,075 |
| **Total** | | **14,075** | **96** | **-52,338** | **-38,167** |

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 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 cashequivalents | 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/n/a | -110,474 | -98,671 | | | -98,671 |
| Other long-term financial liabilities | ac/n/a | | | | | |
| - Lease obligations | n/a | -91,692 | | | -91,692 | |
| - Frequenzverbindlichkeiten | ac | -763,858 | -763,858 | | | -634,210 |
| - Miscellaneous | ac | -2,100 | -2,100 | | | -2,100 |
| of which aggregated per classification categories: | | | | | | |

| | 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 amortised cost | ac | 869,192 | 869,192 | | | 869,192 |
| 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 | -1,171,693 | | | -1,042,045 |
| 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 | Measurement categories according to IFRS 9 | From interest and Dividends | Currency translation | Valuation allowance | Net result |
|---|---|---|---|---|---|
| Net result according to measurement categories | | €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** |

### 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 €1,963k (31/12/2022: €1,622k) 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. Associated companies and related persons of the Group include Management and Supervisory Boards of 1&1 AG and their family members, United Internet AG as the top-level controlling company within the sense of IAS 24.13 and the group undertakings 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 and their subsidiaries) are classified as related parties. In addition, Mr Ralph Dommermuth, being the majority shareholder of United Internet AG, is classified as a related party. Related parties also include the Management Board and Supervisory Board and their close family members of United Internet AG.

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 €30 million exist as of the balance sheet date. In addition to the sponsorship agreement, there is an agreement for the transfer of space within the football stadium of Borussia Dortmund GmbH & Co. KGaA for the installation of mobile communications antennas, which also runs until mid-2025. No separate remuneration was agreed for this.

## 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 (until 02/08/2023)
- Nemetschek SE, Munich (Supervisory Board chairman)

- Bechtle AG, Gaildorf
- Singhammer IT Consulting AG, Munich

**Norbert Lang**
Entrepreneur, Waldbrunn
— Deputy Chairman since 16/05/2023 —

**Seats held on supervisory boards required by law or other supervisory bodies:**

- Rocket Internet SE, Berlin

**Matthias Baldermann**
CTO at Hutchison Drei Austria GmbH, Dresden

**Vlasios Choulidis**
Entrepreneur, Gelnhausen

**Friedrich Joussen**
Independent Advisor, Düsseldorf
(since 16/05/2023)

**Seats held on supervisory boards required by law or other supervisory bodies:**

- 1&1 Versatel GmbH, Düsseldorf (since 01/09/2023 Advisory Board Chairman)
- 1&1 Versatel Deutschland GmbH, Düsseldorf (since 01/10/2023 Supervisory Board chairman)

**Christine Schöneweis**
COO Intelligent Enterprise, Solutions (IES), Senior Vice President, DAP SE, Schriesheim
(since 16/05/2023)

**Seats held on supervisory boards required by law or other supervisory bodies:**

- Nemetschek SE, Munich

**Kai-Uwe Ricke**
Entrepreneur, Stallikon/Switzerland
— Deputy Chairman (until 16/05/2023) —

**Seats held on supervisory boards required by law or other supervisory bodies:**

- euNetworks Group Limited LLC, Cayman Islands
- Cash Credit Limited, Cayman Islands (member)
- Delta Partners Growth Fund II GP Limited, Cayman Islands (member)
- Delta Partners Growth Fund II (Carry) General Partner Limited, Cayman Islands (member)

**Dr Claudia Borgas-Herold**
Entrepreneur, Kilchberg/Switzerland
(until 16/05/2023)

**Seats held on supervisory boards required by law or other supervisory bodies:**

- IONOS Group SE, Montabaur (since 26/01/2023)
- IONOS Holding SE, Montabaur (until 02/08/2023)

## 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 until 01/09/2023)
- IONOS Holding SE, Montabaur (Supervisory Board Chairman until 01/08/2023, member of the supervisory board since 02/08/2023)
- IONOS Group SE, Montabaur (since 26/01/2023 Supervisory Board Chairman)
- 1&1 Mail and Media Applications SE, Montabaur
- 1&1 Telecommunication SE, Montabaur
- Kublai GmbH, Frankfurt am Main (member of the Advisory Board since 07/07/2023)

**Markus Huhn**
Management Board member, Neuerkirch

**Seats held on supervisory boards required by law or other supervisory bodies:**

- 1&1 Versatel Deutschland GmbH, Düsseldorf (until 30/09/2023)
- 1&1 Versatel GmbH, Düsseldorf (until 31/08/2023)
- IQ-optimize Software GmbH, Maintal (until 13/06/2023)

**Alessandro Nava**
Management Board member, Essen

**Seats held on supervisory boards required by law or other supervisory bodies:**

- 1&1 Versatel GmbH, Düsseldorf (until 31/08/2023)

- IQ-optimize Software GmbH, Maintal (until 13/06/2023)

## Remuneration of key management personnel

Supervisory Board remuneration consists of fixed annual remuneration and attendance fees and totalled €357k in 2023, of which €24k was variable (previous year: €359k, of which €24k 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.

The total remuneration of the Management Board in accordance with IAS 24 is as follows:

| | 31/12/2023<br>€k | 31/12/2022<br>€k |
|---|---|---|
| Benefits due in the short term | 1,567 | 1,315 |
| Post-employment benefits | 0 | 0 |
| Other benefits due in the long term | 0 | 0 |
| Termination benefits | 0 | 0 |
| Share-based remuneration | 1,260 | 814 |
| **Total** | **2,827** | **2,129** |

The total remuneration of the members of the Executive Board in accordance with Section 314 para. 1 no. 6 a and b HGB totalled € 7,605 thousand in the 2023 financial year (previous year: € 1,315 thousand). The total remuneration includes new grants from the SAR programme of 2,765,000 shares with a fair value of

€ 6,038 thousand. The SAR programme has a term of six years. The following table provides information on the remuneration of the members of the Management Board:

| 2023 | Fix (€k) | Variable (€k) | Ancillary benefits (€k) | Sum of fixed, variable and Ancillary benefits (€k) | Market value of the share-based granted remuneration (€k)* | SAR Expense 2023 (€k) |
|---|---|---|---|---|---|---|
| Ralph Dommermuth (CEO) | 0 | 0 | 0 | 0 | 0 | 0 |
| Markus Huhn (CFO) | 499 | 200 | 6 | 705 | 3,574 | 472 |
| Alessandro Nava (COO) | 600 | 250 | 12 | 862 | 5,957 | 788 |
| **Total** | **1,099** | **450** | **18** | **1,567** | **9,531** | **1,260** |

| 2022 | Fix (€k) | Variable (€k) | Ancillary benefits (€k) | Sum of fixed, variable and Ancillary benefits (€k) | Market value of the share-based granted remuneration (€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** |

*The share-based payments (stock appreciation rights) are remuneration components with a long-term incentive effect and are paid out over a total period of 6 years. The share options were granted in 2020 and 2023.

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

As at 31 December 2023, 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 as at the closing date 31 December 2023. As at 31 December 2023, Mr Ralph Dommermuth in turn holds indirectly through holding companies 54.37 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 as at 31 December 2023: 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 and its subsidiaries have been identified as associated companies of the Group.

Short-term accounts due from associated companies break down as shown below:

| | 31/12/2023<br>€k | 31/12/2022<br>€k |
|---|---|---|
| United Internet AG | 433,229 | 566,772 |
| IONOS Group | 863 | 1,512 |
| United Internet Corporate Services GmbH | 87 | 2,262 |
| Miscellaneous | 164 | 217 |
| **Total** | **434,343** | **570,763** |

The short-term accounts receivable result from the short-term investment of cash as parent well as from trade. Of the disclosed receivables, €433,229k (31/12/2022: €566,772k) are accounts due from the parent company (United Internet AG).

The receivables from the investment of cash and cash equivalents with United Internet AG at the end of the fiscal year are subject to variable interest rates. The other outstanding balances are unsecured, non-interest-bearing and are settled by payment. Accounts due from related parties were not value-adjusted in financial year 2023. A recoverability test is conducted annually. This includes an assessment of the financial position of the associated company as well as 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:

| | 31/12/2023<br>€k | 31/12/2022<br>€k |
|---|---|---|
| Versatel Group | 95,896 | 63,109 |
| United Internet AG | 54,870 | 42 |
| United Internet Corporate Services GmbH | 5,626 | 3,316 |
| 1&1 Mail & Media GmbH | 5,110 | 5,466 |
| A1 Marketing, Kommunikation und neue Medien GmbH | 3,047 | 3,410 |
| IONOS Group | 614 | 2,224 |
| Miscellaneous | 298 | 360 |
| **Total** | **165,461** | **77,927** |

Accounts due to associated companies result above all from trade. Of the disclosed liabilities, €54,870k (31/12/2022: €42k) comprise liabilities due to the parent company (United Internet AG). The increase in the financial year results from the inclusion of 1&1 AG in the VAT group of the majority shareholder United Internet AG. As a result, since May 2023, VAT is no longer paid directly by 1&1, but by United Internet AG, which means that it is now reported in the financial statements under liabilities to related parties. 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. There are also liabilities to associated companies of United Internet AG in the amount of €10k.

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 as at 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<br>2023<br>€k | Purchases / Services from associated companies / related parties<br>2023<br>€k | Purchases / Services from associated companies / related parties<br>2022<br>€k | Purchases / Services from associated companies / related parties<br>2022<br>€k |
|---|---|---|---|
| 263,907* | 15,343 | 220,811* | 22,571 |

*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, €354k (previous year: €241k) 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 €890,269k (previous year: €789,232k) and charges forward to associated companies in the amount of €4,342k (previous year: €5,663k). 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 as at 31 December 2023 amounts to €61,986k (31/12/2022: €64,084k) and that of the lease liabilities to €63,898k (31/12/2022: €65,163k). Write-offs in financial year 2023 amounted to €5,659k (previous year: €6,040k) and interest expenses to €2,260k (previous year: €1,382k). The payment commitments incurred during the reporting period amounted to €7,085k (previous year: €7,116k).

As at 31 December 2023, there are no receivables or liabilities pursuant to the aforementioned leases 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 | Interest and similar expenses | Interest income | Interest and similar expenses |
|---|---|---|---|
| 2023 | 2023 | 2022 | 2022 |
| €k | €k | €k | €k |
| 19,700 | 0 | 3,639 | 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 immediately from its business activities. They encompass primarily trade receivables and short-term accounts due from associated companies. As of the balance sheet date, the Group has at its disposal exclusively original financial instruments.

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 so that the solvency and financial flexibility of 1&1 Group at all times is ensured. 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 €410 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 as at 31 December 2023 and 31 December 2022. 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 2023

| | Carrying amount 31.12.2023 | 2024 | 2025 | 2026 | 2027 | > 2027 | Total |
|---|---|---|---|---|---|---|---|
| | €k | €k | €k | €k | €k | €k | €k |
| Trade accounts payable | 277,053 | 277,053 | 0 | 0 | 0 | 0 | 277,053 |
| Liabilities due to associated companies | 165,461 | 165,461 | 0 | 0 | 0 | 0 | 165,461 |
| Other financial liabilities | 1,003,544 | 127,787 | 148,107 | 145,836 | 145,861 | 502,061 | 1,069,652 |

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 2022

| | Carrying value 31/12/2022 | 2023 | 2024 | 2025 | 2026 | > 2026 | Total |
|---|---|---|---|---|---|---|---|
| | €k | €k | €k | €k | €k | €k | €k |
| Trade accounts payable | 229,137 | 229,137 | | | | | 229,137 |
| Accounts due to associated companies | 77,927 | 77,927 | | | | | 77,927 |
| Other financial liabilities | 979,101 | 121,451 | 74,362 | 141,136 | 137,784 | 518,063 | 992,796 |

## 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. There are three types of risk in the market risk: interest risk, currency risk and other risks such as the stock 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.

## Capital management

1&1 AG is not subject to any obligations in the Company charter or from contractual obligations to maintain capital beyond the regulations of securities 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 payments 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 will likely not be required 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 debts 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 as at 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 2023 are presented below:

| | 2023<br>€k | 2022<br>€k |
|---|---|---|
| **Write-offs on rights of use** | | |
| - Land and buildings | 9,293 | 9,742 |
| - Fixtures, fittings and equipment | 2,218 | 1,661 |
| - Licences | 1,591 | 1,592 |
| - Network infrastructure | 2,061 | 12 |
| **Total write-offs on rights of use** | **15,163** | **13,007** |
| **Interest expenses from leases** | **4,711** | **1,646** |
| **Expenses for short-term leasing liabilities** | **1,002** | **146** |
| **Expenses for leases for a low-value asset** | **0** | **494** |

There was an outflow of funds in the amount of €12,078k (previous year: €12,948k) 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 as at 31 December 2023:

| | Carrying amount at<br>31/12/2023<br>€k | Carrying amount at<br>31/12/2022<br>€k |
|---|---|---|
| Network infrastructure | 101,657 | 1,045 |
| Land and buildings | 86,874 | 91,913 |
| Fixtures, fittings and equipment | 5,821 | 3,608 |
| Licences | 3,182 | 4,773 |

The additions to the rights of use for financial year 2023 are as follows:

| | Additions according to IFRS 16<br>€k |
|---|---|
| Network infrastructure | 102,699 |
| Land and buildings | 7,743 |
| Fixtures, fittings and equipment | 4,449 |
| Licences | 0 |

Leasing obligations existing as at 31 December 2023 will result in outgoing payments in the following years:

| | 31/12/2023<br>€k | 31/12/2022<br>€k |
|---|---|---|
| Up to 1 year | 17,996 | 10,977 |
| 1 to 5 years | 47,480 | 36,822 |
| More than 5 years | 123,031 | 54,870 |
| **Total** | **188,507** | **102,669** |

The extension options not included in the valuation according to IFRS 16 will result in future payment obligations of €133 million (31/12/2022: €2.6 million) if they are exercised. These are essentially payment obligations for the network infrastructure.

## Other financial obligations

There were the following future payment obligations as at 31 December 2023:

| | 31/12/2023<br>€k | 31/12/2022<br>€k |
|---|---|---|
| Other miscellaneous obligations | 1,110,574 | 589,277 |

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 €1,002k as at 31/12/2023 (31/12/2022: €640k). Leases that had not yet commenced as at the balance sheet date resulted in cash outflows of € 9,311k, which will be spread over the next ten years.

As part of the MBA MVNO agreement with Telefónica, the Group has acquired binding network capacity consisting of data volumes as well as voice and SMS quotas for the term of the agreement until June 2025.

The capacity to be purchased under the MBA MVNO agreement amounted to 20 to 30 percent of the capacity used on the Telefónica network. Since the conclusion of the national roaming agreement, 1&1 has been able to reduce or increase the acquired quotas to a certain extent on a quarterly basis. The payments for the service components of the agreement amount to an annual sum in the mid three-digit million range. An exact amount cannot be determined as the payments depend on various contractual variables and the future reduction or increase in capacity. From summer 2024, 1&1 will use national roaming from Vodafone as planned and gradually reduce advance payments from Telefónica Deutschland.

Investment expenditures for which there are contractual obligations in subsequent years as at the balance sheet date amount to €332,317k (31/12/2022: €266,822k). The obligations mainly relate to investments in technical equipment for the rollout and operation of the 1&1 mobile network and exist for tangible assets in the amount of €265,610k (31/12/2022: €123,866k) and for intangible assets in the amount of €66,707k (31/12/2022: €142,956k). Cash outflows are essentially expected in financial year 2024.

In financial year 2023, there are also other financial obligations from trade relationships in the amount of approximately €737,513k (31/12/2022: €271,078k) that are related to the rollout and operation of 1&1's own mobile network. Of this figure, around €332,641k (31/12/2022: €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. Obligations from supply and service relationships totalling around €285,000k are attributable to Vodafone's national roaming services, which will be utilized from summer 2024.

In addition, around €74,872k (previous year: €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 €9,468k and €22,468k.

Moreover, other financial obligations arise from a sponsorship agreement in the amount of €30,430k (previous year: €50,737k). The obligations remain effective until June 2025 and the cash outflows will amount to €18,935k in 2024 and to €11,495k in 2025.

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 cash flow from investing activities in financial year 2023 includes interest payments received totalling €15,749k (previous year: €2,272k), which mainly result from the interest paid on the cash investment at United Internet AG.

Interest payments paid totalling €19,671k (previous year: €4,649k) are shown under cash flow from financing activities and mainly include payments similar to interest of €14,961k in connection with 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.

Taxes paid for financial year 2023 in the amount of €137,490k (previous year: €184,262k) concern essentially the ongoing corporate income tax, including solidarity surcharge, and ongoing trade tax. Payments for taxes on income amount to €796k (previous year: €6,770k).

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 2023 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 amortisation components and are reported 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 €155 million (previous year: repayments of €148 million) are included in the cash flow from investing activities. With regard to the change in other financial liabilities, payments in the amount of €93 million (previous year: €79 million) are included in the cash flow from financing activities. In the reporting year 2023 as in the previous year, these payments were related mainly to payments for liabilities from the 5G frequency spectrum.

*For the reporting period from January to December 2022, adjustments were made to the disclosure of cash inflows and outflows for interest in the consolidated cash flow statement. Please refer to the explanations in Note 2.2 Changes in accounting policies.

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 2022 and 2023 is shown below:

| | | Cash-effective changes | | Non-cash changes | | |
|---|---|---|---|---|---|---|
| | 01/01/2022 | Repayment | Other | Incurrence of liabilities | Interest expense | 31/12/2022 |
| | €k | €k | €k | €k | €k | €k |
| Frequency liabilities | 886,389 | -61,266 | 0 | 0 | 0 | 825,123 |
| Leasing obligations | 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** |

| | | Cash-effective changes | | Non-cash changes | | |
|---|---|---|---|---|---|---|
| | 01/01/2023 | Repayment | Other | Incurrence of liabilities | Interest expense | 31/12/2023 |
| | €k | €k | €k | €k | €k | €k |
| Frequency liabilities | 825,123 | -61,266 | 0 | 0 | 0 | 763,857 |
| Leasing obligations | 102,669 | -12,078 | 0 | 93,205 | 4,711 | 188,507 |
| Liabilities expansion white spots | 11,765 | 0 | -14,961 | 2,415 | 6,050 | 5,269 |
| **Total liabilities from financing activities** | **939,557** | **-73,344** | **-14,961** | **95,620** | **10,761** | **957,633** |

## 47. Auditor's Fees

In financial year 2023, auditor's fees in the amount of €1,220k were calculated in the consolidated financial statements. This figure breaks down into €1,158k related to audits of financial statements and €62k to other assurance services. The other assurance services relate exclusively to business audits in connection with the reportable sales of radio and television programs, reports to the Central Office for Private Broadcasting Rights and reports in accordance with the Packaging Act.

# 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** | **2023** | **2022** |
|---|---|---|
| Consolidated earnings in €k | 314,950 | 367,328 |
| Ordinary shares (number) | 176,764,649 | 176,764,649 |
| Own shares (number) | -465,000 | -465,000 |
| Weighted average less treasury shares (number) | 176,299,649 | 176,299,649 |
| **Undiluted consolidated earnings per share in €** | **1.79** | **2.08** |

| **Diluted consolidated earnings per share in €** | **2023** | **2022** |
|---|---|---|
| Consolidated earnings in €k | 314,950 | 367,328 |
| Ordinary shares (number) | 176,764,649 | 176,764,649 |
| Own shares (number) | -465,000 | -465,000 |
| Average number of shares to be included from SARs | 177,371 | 2,280 |
| Weighted average less treasury shares (number) | 176,477,020 | 176,301,929 |
| **Diluted consolidated earnings per share in €** | **1.78** | **2.08** |

# 49. Dividend per Share

The Annual General Meeting of 1&1 AG on 16 May 2023 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 22 May 2023.

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 2023 as follows:

- 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 2023.

Management Board and Supervisory Board will discuss this dividend proposal for financial year 2023 during the Supervisory Board meeting on 20 March 2024.

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 (31/12/2022: 465,000 shares) of own stock.

## 50. Declaration in Accordance with Section 161 AktG

Management Board and Supervisory Board of 1&1 AG submitted the declaration required by Section 161 of the Stock Corporation Law on 18 December 2023 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 2023:

- 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 GmbH, Maintal

- 1&1 Mobilfunk GmbH, Düsseldorf
- 1&1 Towers GmbH, Düsseldorf
- Blitz 17-665 SE, Maintal
- Blitz 17-666 SE, Maintal

## 52. Post Balance Sheet Report

There were no significant events after the balance sheet date that could have a material impact on the Group's net assets, financial position and results of operations.

Montabaur, 18 March 2024

Ralph Dommermuth    Markus Huhn    Alessandro Nava

1&1 Aktiengesellschaft

# Development of Intangible and Tangible Assets

| 2023 | Cost of acquisition and manufacturing 01/01/2023 €k | Additions €k | Disposals €k | Transfers €k | 31/12/2023 €k |
|---|---|---|---|---|---|
| **Intangible assets** | | | | | |
| Purchased software and licences | 141,888 | 13,316 | 13,940 | 3,715 | 144,979 |
| Rights similar to concessions | 165,000 | 0 | 0 | 0 | 165,000 |
| Own produced software | 17,126 | 0 | 2,683 | 0 | 14,443 |
| Spectrum | 1,070,187 | 0 | 0 | 0 | 1,070,187 |
| Trademarks | 56,300 | 0 | 0 | 0 | 56,300 |
| Clientele | 776,975 | 0 | 0 | 0 | 776,975 |
| Licences leases IFRS 16 | 9,282 | 0 | 0 | 0 | 9,282 |
| Payments on account | 115,851 | 131,374 | 0 | -3,715 | 243,510 |
| Goodwill | 2,932,943 | 0 | 0 | 0 | 2,932,943 |
| **Subtotal (I)** | **5,285,552** | **144,690** | **16,623** | **0** | **5,413,619** |
| **Tangible assets** | | | | | |
| Land and buildings | 316 | 18 | 10 | 0 | 324 |
| Land from leases IFRS 16 | 128,687 | 114,892 | 6,625 | 0 | 236,954 |
| Fixtures, fittings and equipment | 64,356 | 17,587 | 1,735 | 1,055 | 81,263 |
| Payments on account | 120,205 | 133,432 | 983 | -1,055 | 251,599 |
| **Subtotal (II)** | **313,564** | **265,929** | **9,353** | **0** | **570,140** |
| **Total** | **5,599,116** | **410,619** | **25,976** | **0** | **5,983,759** |

| Accrued amortisation 01/01/2023 | Additions | Disposals | Transfers | 31/12/2023 | Net carrying value 31/12/2022 | 31/12/2023 |
|---|---|---|---|---|---|---|
| €k | €k | €k | €k | €k | €k | €k |
| 120,242 | 10,835 | 13,940 | 0 | 117,137 | 21,646 | 27,842 |
| 82,500 | 33,000 | 0 | 0 | 115,500 | 82,500 | 49,500 |
| 10,264 | 2,666 | 2,684 | 0 | 10,246 | 6,862 | 4,197 |
| 447 | 40,819 | 0 | 0 | 41,266 | 1,069,740 | 1,028,921 |
| 3,100 | 0 | 0 | 0 | 3,100 | 53,200 | 53,200 |
| 541,006 | 86,177 | 0 | 0 | 627,183 | 235,969 | 149,792 |
| 4,509 | 1,591 | 0 | 0 | 6,100 | 4,773 | 3,182 |
| 0 | 0 | 0 | 0 | 0 | 115,851 | 243,510 |
| 0 | 0 | 0 | 0 | 0 | 2,932,943 | 2,932,943 |
| **762,068** | **175,088** | **16,624** | **0** | **920,532** | **4,523,484** | **4,493,087** |
| | | | | | | |
| 116 | 17 | 10 | 0 | 123 | 200 | 201 |
| 32,121 | 13,572 | 3,091 | 0 | 42,602 | 96,566 | 194,352 |
| 18,672 | 9,352 | 1,638 | 0 | 26,386 | 45,684 | 54,877 |
| 0 | 0 | 0 | 0 | 0 | 120,205 | 251,599 |
| **50,909** | **22,941** | **4,739** | **0** | **69,111** | **262,655** | **501,029** |
| **812,977** | **198,029** | **21,363** | **0** | **989,643** | **4,786,139** | **4,994,116** |

| 2022 | Cost of acquisition and manufacturing 01/01/2022 €k | Additions €k | Disposals €k | Transfers €k | 31/12/2022 €k |
|---|---|---|---|---|---|
| **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 |
| Trademarks | 56,300 | 0 | 0 | 0 | 56,300 |
| Clientele | 776,975 | 0 | 0 | 0 | 776,975 |
| Licences leases IFRS 16 | 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 |
| Land from leases IFRS 16 | 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** |

| | Accrued amortisation | | | | | Net carrying value | |
|---|---|---|---|---|---|---|---|
| | 01/01/2022 | Additions | Disposals | Transfers | 31/12/2022 | 31/12/2021 | 31/12/2022 |
| | €k | €k | €k | €k | €k | €k | €k |
| | 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** |

# Responsibility Statement

# 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, 18. March 2024

Management Board

Ralph Dommermuth | Markus Huhn | Alessandro Nava

# Independent Auditor’s report

## To 1&1 AG, Montabaur

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

**Audit Opinions**

We have audited the consolidated financial statements of 1&1 AG, Montabaur, and its subsidiaries (the Group), which comprise the Consolidated Balance Sheet as at 31 December 2023, 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 2023, and Consolidated Notes, including material accounting policy information. 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 2023. 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 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, 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 2023. 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:

- Appropriateness of revenue recognition

- 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:

**Appropriateness of revenue recognition**

In the consolidated financial statements of 1&1 AG, revenue (sales) of EUR 4,096.7 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.

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 and the appropriateness of the associated changes to the processes and IT systems used for the purposes of revenue recognition. 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 with respect to revenue recognition are sufficiently documented and substantiated.

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, 2023.

**Recoverability of goodwill and intangible assets not yet available for use (spectrum)**

Non-current assets amounting in total to EUR 5,812.5 million are reported in the consolidated financial statements of 1&1 AG. Goodwill amounting in total to EUR 2,932.9 million (37.9% of total assets or 49.8% of equity) is reported under the "Goodwill" balance sheet item. Furthermore, intangible assets (spectrum) amounting to EUR 1,028.9 million (13.3% of total assets or 17.5% 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 budget of the Group forms the starting point which is extrapolated based on assumptions about the Group’s medium-term business plan and 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 2023.

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.

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 budget and the 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.

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 group report to comply with §§ 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 1und1AG_KA+ZLB_ESEF-2023-12-31.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 2023 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 (09.2022)).

**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 rendering 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 16 May 2023. We were engaged by the supervisory board on 14 November 2023. We have been the group auditor of the 1&1 AG, Montabaur, 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 AUDITOR’S 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.

# Remuneration Report 1&1 AG 2023

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 2023. 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 2023.

- The second part 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 2022 was prepared in accordance with Section 162 AktG and audited by the auditor in accordance with Section 162 (3) sentences 1 and 2 AktG. The compensation report was approved by the Annual General Meeting on 16 May 2023 with a majority of 97.7%. The remuneration report for the 2023 financial year was also prepared in accordance with Section 162 AktG and audited by the auditor in accordance with Section 162 (3) sentences 1 and 2 AktG. The remuneration report for the 2023 financial year will be submitted to the Annual General Meeting on 16 May 2024 for approval.

In 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. Accordingly, no changes were made to the remuneration report.

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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 con- sideration 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 band- widths 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.

## 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 guar- antee 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:<br>1. 25% of the SARs exercisable for the first time after two years<br>2. Another 25% of the SARs exercisable for the first time after three years<br>3. Another 25% of the SARs exercisable for the first time after four years<br>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;<br>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<br>- Two exercise windows per year<br>- Exercise of previously awarded SARs only<br>- 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 €3.0 million 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% | €300,000 to €500,000 |
| STI (target amount): | 10% to 40% | €50,000 to €200,000 |
| LTI (target amount p.a.): | 40% to 70% | €200,000 to €2,000,000 |

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.

## Further rules and agreements

### 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. Entitle- ments 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 recom- mendation 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 Commit- tee 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 account- ants 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 of the executive bodies of 1&1 AG

## Remuneration of 1&1 board members in fiscal year 2023

There were three members of the 1&1 AG Management Board in fiscal year 2023:

**Members of the Management Board per 31 December 2023**

- 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 These old contracts still exist between the members of the Management Board and the wholly owned subsidiary of 1&1 AG, 1&1 Telecommunication SE. 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.

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 . The term of the relevant SAR agreements is six years.

## 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 respective fiscal year

| in €k | Year | Basic remuneration (Fix) Fixed salary | Fringe benefits | Variable remuneration (Var) STI | LTI | Total | Proportion Fix / Var |
|---|---|---|---|---|---|---|---|
| | 2023 | 0 | 0 | 0 | 0 | 0 | - |
| Ralph Dommermuth (CEO) | 2022 | 0 | 0 | 0 | 0 | 0 | - |
| | 2023 | 550 | 6 | 200 | 0 | 756 | 74% / 26% |
| Markus Huhn (CFO) | 2022 | 500 | 6 | 98 | 0 | 604 | 84% / 16% |
| | 2023 | 600 | 12 | 250 | 0 | 862 | 71% / 29% |
| Alessandro Nava (COO) | 2022 | 500 | 14 | 197 | 0 | 711 | 72% / 28% |
| | **2023** | **1,150** | **18** | **450** | **0** | **1,618** | **70% / 30%** |
| **Total** | **2022** | **1,000** | **20** | **295** | **0** | **1,315** | **78% / 22%** |

## 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 consist in particular 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 €200k p.a. in fiscal year 2023.

Mr Nava's target amount for short-term variable remuneration was €250k p.a. in fiscal year 2023.

The following STI targets have been set for Mr Huhn and Mr Nava for fiscal year 2023:

| **STI Targets** | | **Proportion of STI for Markus Huhn** | **Proportion of STI for Alessandro Nava** |
|---|---|---|---|
| Financial target I | Increase of Group's service revenues to € 3,230m | 25% | 25% |
| Financial target II | Group EBITDA of € 655m | 25% | 25% |
| Operative / strategic target I | Net contract growth of 500 thousand contracts | 10% | 10% |
| Operative / strategic target II | Customer value | 20% | 20% |
| Personal targets: focus topic ESG | Development of an 1&1 sustainability strategy | 10% | 10% |
| Personal target: Focus topic Markus Huhn | Development of a HR strategy | 10% | 0% |
| Personal target: focus topic Alessandro Nava | Optimisation of value in marketing as well as in existing customer management | 0% | 10% |
| **Total** | | **100%** | **100%** |

Target achievement was 100.4 percent for financial target I (service revenue 2023 = €3,243 million), 99.8 percent for financial target II (operating EBITDA = €653.8 million), 96.0 percent for operating / strategic target I (operating customer growth = 480 thousand) and 102.0 percent for the customer value target. Target achievement for the ESG target is 100.0 per cent. The target achievement for the personal targets was 100.0 percent for Mr Markus Huhn and 101.8 percent for Mr Alessandro Nava. Overall target achievement therefore averaged 100.1 percent for Mr Markus Huhn and 100.2 percent for Mr Alessandro Nava, meaning that a total of €200.2k is to be paid out to Mr Markus Huhn and €250.6k 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. The SAR entitlements can be fulfilled at the discretion of the participant in cash or by transferring one 1&1 AG share per SAR to the participant. 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.

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 in accordance with IFRS 2 was €3.64. The total value of the stock- based remuneration awarded in 2020 amounted to €1,310k. In the 2023 financial year, Mr Huhn received a further 1,037,000 SARs (SAR tranche 2023). The issue price was €10.14 per option. The average market value per option in accordance with IFRS 2 was €2.18. Claims from the 2023 SAR tranche are reduced by the gross amount, or the (gross) equivalent (in the case of the fulfilment of claims through the issue of shares), of benefits that Mr Huhn receives on the basis of the 2020 SAR tranche.

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. In the 2023 financial year, Mr Nava received a further 1,728,000 SARs (SAR tranche 2023). The issue price was €10.14 per option. The average market value per option in accordance with IFRS 2 was €2.18. Claims from the 2023 SAR tranche are reduced by the gross amount, or the (gross) equivalent (in the case of the fulfilment of claims through the issue of shares), of benefits that Mr Nava receives on the basis of the 2020 SAR tranche.

A target remuneration of 60 percent of the maximum permissible payout from the programme was agreed for the SAR programme. The maximum permissible payout per option is 100 percent of the exercise price.

No options were exercised in the 2023 financial year and no SARs expired.

| **SAR tranche 2020/2023** | **Number of SARs per 31/12/2022** | **Awarded in 2023** | **Exercised in 2023** | **Expired in 2023** | **Number of SARs per 31/12/2023** |
|---|---|---|---|---|---|
| Markus Huhn | 360,000 | 1,038,000 | 0 | 0 | 1,398,000 |
| Alessandro Nava | 600,000 | 1,728,000 | 0 | 0 | 2,328,000 |

There are no company-financed pension commitments to Management Board members or other remuneration components. 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 do not contain a claw-back clause, as these are still legacy contracts prior to the validity of the current remuneration system. However, there were also no grounds for 1&1 AG to request reimbursement or reduce variable remuneration in fiscal year 2023.

### 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 2023.

### 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 2023.

## 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 2023.

## Maximum remuneration

The existing old contracts of the Executive Board members do not contain any maximum remuneration, but do contain maximum limits (caps) for the STI and LTI. Compliance with the maximum remuneration of the remuneration system can only be conclusively assessed after all SARs have been exercised. The remuneration granted does not exceed the maximum remuneration of the remuneration system for any Executive Board member in the 2023 financial year.

# Remuneration of the Supervisory Board Members in Fiscal Year 2023

The members of the 1&1 AG Supervisory Board in fiscal year 2023 were as follows:

**Supervisory Board members 31 December 2023**

- **Kurt Dobitsch**, Chairman of the Supervisory Board
  (since 16 October 2017, Chairman of the Supervisory Board since 16 March 2021, member of the Audit and Risk Committee since May 2021)

- **Norbert Lang**
  (since 12 November 2015, Deputy Chairman of the Supervisory Board since 16 May 2023, Chairman of the Audit and Risk Committee since May 2021)

- **Matthias Baldermann**
  (since 26 May 2021, member of the Audit and Risk Committee since May 2023)

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

- **Friedrich Joussen**
  (since 16 May 2023)

- **Christine Schöneweis**
  (since 16 May 2023)

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 €50k. 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.

## Granted Remuneration to the Supervisory Board Members

| in €k | | Fix | Attendance fee | Total | Proportion Fix / Var |
|---|---|---|---|---|---|
| | 2023 | 70 | 4 | 74 | 95% / 5% |
| Kurt Dobitsch | 2022 | 70 | 4 | 74 | 95% / 5% |
| | 2023 | 68 | 3 | 71 | 96% / 4% |
| Norbert Lang | 2022 | 65 | 4 | 69 | 94% / 6% |
| | 2023 | 54 | 4 | 58 | 93% / 7% |
| Matthias Baldermann [c] | 2022 | 45 | 4 | 49 | 92% / 8% |
| | 2023 | 45 | 3 | 48 | 94% / 6% |
| Vlasios Choulidis | 2022 | 45 | 4 | 49 | 92% / 8% |
| | 2023 | 28 | 2 | 30 | 93% / 7% |
| Friedrich Joussen | 2022 | 0 | 0 | 0 | 0% / 0% |
| | 2023 | 28 | 2 | 30 | 93% / 7% |
| Christine Schöneweis | 2022 | 0 | 0 | 0 | 0% / 0% |
| | 2023 | 23 | 2 | 25 | 92% / 8% |
| Dr. Claudia Borgas-Herold [b] | 2022 | 60 | 4 | 64 | 94% / 6% |
| | 2023 | 19 | 2 | 21 | 90% / 10% |
| Kai-Uwe Ricke [b] | 2022 | 50 | 4 | 54 | 93% / 7% |
| | **2023** | **335** | **22** | **357** | **93% / 7%** |
| **Total** | **2022** | **335** | **24** | **359** | **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 2023 over 2022 | Veränderung 2022 zu 2021 | Veränderung 2021 zu 2020 |
|---|---|---|---|
| **Remuneration of the Management Board members** | | | |
| Ralph Dommermuth | 0.0% | 0.0% | 0.0% |
| Markus Huhn | 25.2% | -1.3% | +19.8% |
| Alessandro Nava | 21.2% | -1.1% | +17.1% |
| **Remuneration of the Supervisory Board Members** | | | |
| Kurt Dobitsch | 0.0% | +12.1% | +34.7% |
| Norbert Lang | 2.9% | +13.1% | +24.5% |
| Matthias Baldermann [c] | 18.4% | +75.0% | - |
| Vlasios Choulidis | -2.0% | 0.0% | 0.0% |
| Friedrich Joussen [a] | - | - | - |
| Christine Schöneweis [a] | - | - | - |
| Dr. Claudia Borgas-Herold [b] | -60.9% | +10.3% | +18.4% |
| Kai-Uwe Ricke [b] | -61.1% | +3.8% | +6.1% |
| **Remuneration of employees** | | | |
| Ø Remuneration of the total workforce (on an FTE basis) | 6.5% | +7.0% | +4.3% |
| **Corporate Development** | | | |
| Revenue in the Group | 3.4% | +1.4% | +3.2% |
| EBITDA (operating) in the Group | -5.7% | +3.2% | +5.3% |
| Annual result of the single company | n.a. | n.a. | > + 100.0% |

(a) Entry during fiscal year 2023

(b) exit during fiscal year 2023

(c) Entry during 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 also 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, den 18 March 2024

Ralph Dommermuth

Markus Huhn

Alessandro Nava

1&1 Aktiengesellschaft

# Investor Relations Corner

# 1. Investor Relations

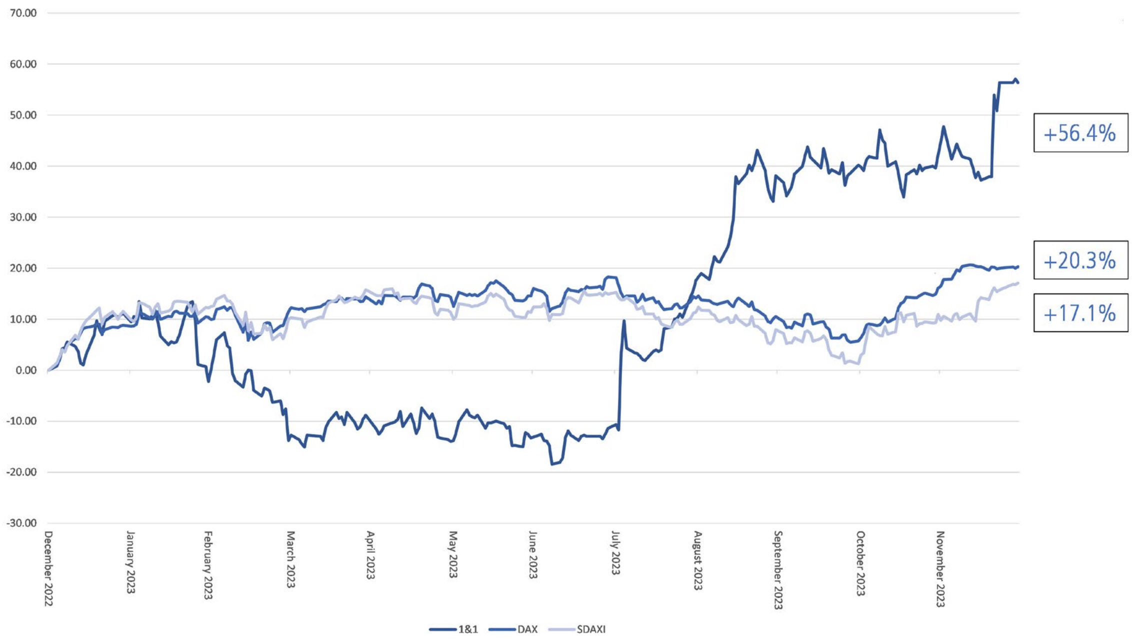
The capital market communications of 1&1 AG are conducted in conformity with the fair disclosure principle, i.e. all shareholders and interested parties are simultaneously provided with the same type of information about all important developments. The ongoing work can be followed and tracked equally 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

### Performance in Trading Year 2023

| | 2022 year end | 2023 year end | Change in % |
|---|---|---|---|
| 1&1 | €11.60 | €18.14 | 56.38 |
| DAX | 13,923.59 | 16,751.64 | 20.31 |
| SDAX | 11,925.70 | 13,960.36 | 17.06 |
| TecDAX | 2,921.12 | 3,337.41 | 14.25 |

### 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 3 January 2024)

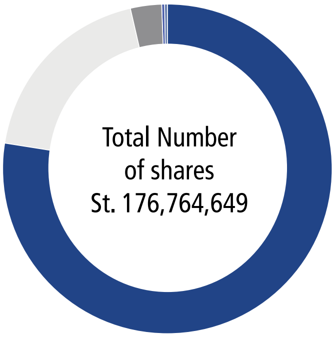
With a good strategic positioning on the German telecommunications market, the 1&1 stock is seen as offering good prospects on the capital market overall.

| Analysis | Rating | Price target | Date |
|---|---|---|---|
| LBBW | „Neutral“ | €17.90 | 03 January 2024 |
| Barclays | „Neutral“ | €20.00 | 22 December 2023 |
| Dt. Bank | "Buy" | €19.00 | 20 December 2023 |
| DZ Bank | "Buy" | €20.10 | 20 December 2023 |
| Kepler | "Buy" | €20.50 | 20 December 2023 |
| Newstreet | "Buy" | €26.00 | 20 December 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 December 2023)




78.32 % | United Internet AG

78.32 % | shs. 138,437,357

Treasury Shares: 0.26 % | 1&1 AG

0.26 % | shs. 465,000

Supervisory Board: 0.12 % | V. Choulidis

0.04 % | MV Beteiligungs GmbH

0.16 % | 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: 21.42 %

Source: https://www.1and1.ag/investor-relations-en#die-aktie

# Other

# Glossar

### 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.

### Bundeskartellamt
As an independent competition authority, the Federal Cartel Office's task is to protect competition in Germany.

### 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.

**Low band frequencies**
The frequencies below 1 GHz are referred to as low band. These are particularly suitable for area expansion and are also essential for indoor coverage in urban regions. While low frequencies have a long range, they achieve comparatively lower speeds.

**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).

**Migration**
Process of moving all existing 1&1 mobile customers to the company's own network infrastructure. The migration takes place smoothly and for the most part without further action. In all areas where the new 1&1 5G network does not yet have its own coverage, Telefónica's national roaming will automatically take effect - and Vodafone's from summer 2024. The migration of existing customers will be completed by the end of 2025.

**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 initi¬ation, 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.

**Mobile services**
Following the launch of the first service 5G FWA in December 2022, 1&1 also activated the mobile services in its innovative 5G network on December 8, 2023. This means that Europe's first Open RAN is fully functional and can be used with mobile devices such as smartphones and tablets.

**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."

**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.

**Real-time applications**
Applications that reliably perform their task simultaneously or almost simultaneously to the corresponding event and are therefore considered time-critical. The central criterion for realization is a response time (latency) of only few milliseconds.

**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 2023 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.

# Finacial Event Calendar*

| | |
|---|---|
| **21 March 2024** | Annual Report 2023, Press and Analyst Conference |
| **8 May 2024** | Quarterly Statement Q1 2024 |
| **16 May 2024** | Annual General Meeting |
| **8 August 2024** | 6-Month Report 2024, Press and Analyst Conference |
| **12 November 2024** | Quarterly Statement Q3 2024 |

* 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:

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# Legal Information

**1&1 AG is a member of the United Internet Group Gruppe.**

**Company headquarters**
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D-56410 Montabaur

Telephone: +49 (0) 26 02 / 96 0
Telefax: +49 (0) 26 02 / 96 1010

**Responsible**
1&1 AG

**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 of the Supervisory Board)
Norbert Lang (Deputy Chairman of the Supervisory Board since 16 May 2023)
Matthias Baldermann
Vlasios Choulidis
Friedrich Joussen (since 16 May 2023)
Christine Schöneweis (since 16 May 2023)
Dr. Claudia Borgas-Herold (until 16 May 2023)
Kai-Uwe Ricke (until 16 May 2023)

**Disclaimer**

Due to calculation processes, tables and references may produce rounding differences from the mathematically exact values (monetary units, percentage statements, etc.).

This Interim Statement is available in German and English. Both versions can also be downloaded from https://www.1und1.ag/welcome - Investor Relations - Reports. In all cases of doubt, the German version shall prevail.

Produced in-house with Firesys

**Future-oriented Statements**

This Report contains certain forward-looking statements which reflect the current views of 1&1 AG's management with regard to future events. These forward looking statements are based on our currently valid plans, estimates and expectations. The forward-looking statements made in this Interim Statement are only based on those facts valid at the time when the statements were made. Such statements are subject to certain risks and uncertainties, as well as other factors which 1&1 often cannot influence but which might cause our actual results to be materially different from any future results expressed or implied by these statements. Such risks, uncertainties and other factors are described in detail in the Risk Report section of the Annual Reports of 1&1 AG. 1&1 does not intend to revise or update any forward-looking statements set out in this Interim Statement.

# Brand portfolio of 1&1

1&1

yourfone | smartmobil.de

winSIM | PremiumSIM

simplytel | maXim

DeutschlandSIM | sim.de | DISCOTEL

m2m mobil | handy vertrag.de | Refurbished Handys.de

Additional information as contact details, can be found on the homepage:
https://www.1und1.ag/contact-us

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**1&1 AG**
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56410 Montabaur
Deutschland

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