Annual Report 2024

FACTS & FIGURES

Selected Performance Indicators	2024	2023	Change	Q4 2024	Q4 2023	Change	Q3 `24	Q2 `24	Q1 `24
Profit (in €m)									
Revenues	4,064.3	4,096.7	–0.8 %	1,047.1	1,064.9	–1.7 %	1,001.3	991.5	1,024.4
Service revenues	3,303.1	3,243.2	1.8 %	824.4	824.3	0.0 %	833.8	823.0	821.9
Hardware and Other revenues	761.2	853.5	–10.8 %	222.7	240.6	–7.4 %	167.5	168.5	202.5
EBITDA	**590.8**	**653.8**	**–9.6 %**	**127.8**	**142.7**	**–10.4 %**	**136.4**	**144.3**	**182.3**
EBITDA segment Access	856.1	786.2	8.9 %	226.0	201.3	12.3 %	192.5	212.9	224.7
EBITDA segment 1&1 Mobile Network	–265.3	–132.4	100.4 %	–98.2	–58.6	67.6 %	–56.1	–68.6	–42.4
EBIT	**309.4**	**455.8**	**–32.1 %**	**21.9**	**92.1**	**–76.2 %**	**91.4**	**78.2**	**117.9**
EBIT excluding PPA write-offs	366.5	512.9	–28.5 %	36.2	106.4	–66.0 %	105.6	92.5	132.2
EBT	**305.2**	**464.9**	**–34.4 %**	**18.7**	**94.9**	**–80.3 %**	**90.0**	**77.7**	**118.8**
EBT excluding PPA write-offs	362.3	522.0	–30.6 %	32.9	109.2	–69.9 %	104.3	92.0	133.1
Profit per share (in €)	1.21	1.79	–32.4 %	0.10	0.35	–71.4 %	0.34	0.30	0.47
Profit per share excluding PPA write-offs (in €)	1.43	2.01	–28.9 %	0.15	0.41	–63.4 %	0.39	0.36	0.53
Cash flow (in €m)									
Net inflow of funds from operating activities	311.4	225.6	38.0 %	177.5	12.6		158.4	113.0	88.5
Net outflow of funds in investment sector	–180.8	–125.2	44.4 %	–107.1	56.2		–143.2	138.9	–69.4
Free cash flow	20.8	–70.1	–129.7 %	–42.2	–149.3	–71.7 %	121.5	–137.0	78.5

	31/12/2024	31/12/2023	Change	31/12/2024	31/12/2023	Change	30/09/2024	30/06/2024	31/03/2024
Headcount (incl. management board)									
Total per end of December	3,281	3,320	–1.2 %	3,281	3,320	–1.2 %	3,280	3,321	3,313
Customer contracts (in millions)									
Access, contracts	16.39	16.26	0.8 %	16.39	16.26	0.8 %	16.35	16.35	16.30
of which mobile internet	12.44	12.25	1.6 %	12.44	12.25	1.6 %	12.38	12.36	12.29
of which broadband (ADSL, VDSL, FTTH)	3.95	4.01	–1.5 %	3.95	4.01	–1.5 %	3.97	3.99	4.01
Balance Sheet (in €m)									
Short-term assets	1,844.0	1,927.8	–4.3 %	1,844.0	1,927.8	–4.3 %	1,939.2	1,847.9	1,969.2
Long-term assets	6,286.0	5,812.5	8.1 %	6,286.0	5,812.5	8.1 %	6,100.6	6,074.4	5,868.7
Shareholders'equity	6,094.0	5,887.1	3.5 %	6,094.0	5,887.1	3.5 %	6,077.0	6,016.3	5,970.4
Balance sheet total	8,130.1	7,740.3	5.0 %	8,130.1	7,740.3	5.0 %	8,039.8	7,922.3	7,837.9
Equity ratio	75.0 %	76.1 %		75.0 %	76.1 %		75.6 %	75.9 %	76.2 %

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To Our Shareholders

Letter from the Management Board

Dear Readers,

The 2024 financial year was challenging for 1&1. While we were once again able to achieve key milestones, we also had to deal with the consequences of a mobile network outage. This took a lot of effort and weighed on our key earnings figures in 2024.

In the Access operating segment, we again increased the most important key figures (customer base, service revenues and EBITDA).

Specifically, the number of customer contracts grew by 130,000, reaching a total of 16.39 million. This growth was driven by 190,000 newly acquired mobile internet contracts, bringing the total number of mobile contracts to 12.44 million by the end of 2024. At the same time, the number of broadband connections fell slightly by 60,000 to 3.95 million.

High-margin service revenue increased by 1.8 percent in the financial year 2024, reaching €3.30 billion (2023: €3.24 billion). However, other revenue—primarily derived from the early realisation of hardware sales revenue, particularly from investments in smartphones that customers repay over the contractual minimum term through higher package prices—declined to €761.2 million (2023: €853.5 million). The hardware business has low margins, is subject to seasonal fluctuations and depends on the attractiveness of new devices and manufacturers' model cycles. Overall, revenues fell by -0.8 per cent to €4,064.3 million (2023: €4,096.7 million). EBITDA in the Access segment grew by 8.9 per cent to €856.1 million in the 2024 financial year (2023: €786.2 million).

Revenue and earnings were unexpectedly impacted by a temporary outage of the 1&1 mobile network in May 2024. As a result, we experienced an increase in contract terminations. Additionally, the planned migration of existing customers to the 1&1 mobile network was temporarily restricted due to an unexpected under-dimensioning of certain network components. The migration could only resume as planned in the fourth quarter of 2024. Consequently, the anticipated cost savings from transitioning existing customer contracts (previously on a wholesale basis) to the 1&1 mobile network could only be partially realised in 2024. Furthermore, we incurred temporarily higher expenses to address capacity constraints identified in the aftermath of the network outage.

In the 1&1 Mobile Network segment, start-up costs (including the aforementioned negative impact on earnings) increased more than planned to €-265.3 million (2023: €-132.4 million). This amount includes approximately €14 million in non-recurring expenses from subsequent invoices for additional services related to network development in 2022 and 2023. Overall, EBITDA declined to €590.8 million in the financial year 2024, or €604.8 million excluding non-recurring expenses (2023: €653.8 million).

The investment volume before leasing (CapEx) was significantly lower than planned, amounting to €353.4 million. Of this, €290.6 million was paid in 2024 (cash capex FY 2023: €295.6 million).

Profit per share came to €1.21 (previous year: €1.79). Excluding the effects of the PPA depreciation, the profit per share amounted to €1.43 (previous year: €2.01).

Free cash flow in 2024 amounted to €20.8 million (2023: €-70.1 million). The improvement primarily results from operational activities.

It has now been over a year since we launched mobile services on the 1&1 mobile network in December 2023. Since then, 1&1 has been operating Europe's first fully virtualised 5G network based on the new OpenRAN technology. The 1&1 O-RAN is not only independent of dominant manufacturers from China but is also cloud-native and ready for real-time applications without modifications. All network functions are controlled via software in our private cloud. Four core data centres, 24 decentralised edge data centres and more than 200 of a total of over 500 planned regional far-edge data centres are already in operation, which are scheduled for completion by 2030. Exclusively fibre-optic connections and gigabit antennas are used throughout the network. As a result, we have created a highly future-proof network that will transform the mobile communications landscape. This is precisely what we set out to achieve as the fourth network operator – more vibrant competition and innovations that benefit all consumers.

A large-scale infrastructure project of this magnitude does not come without challenges. At the end of May 2024, we encountered a temporary disruption in our mobile network. During the troubleshooting work, it became clear that central components in the core network were not sufficiently scaled. We took immediate action and retrofitted missing components in our first two core data centres in the summer of 2024 to support future growth. The two additional core data centres, three and four, went live with a delay at the beginning of November 2024. The four core data centres that are now in place ensure reliable stability.

At the same time, we have resumed the migration of our more than 12 million existing customer contracts to our network at full strength in the fourth quarter.

We are making very good progress. Today, at the end of March, more than six million customers are already surfing and making phone calls on the 1&1 5G network. Every working day, we migrate up to 50,000 additional customer contracts to our network – the largest migration in German mobile communications history. For the most part, the migration works without our customers having to do anything, as an 'over-the-air update' that is automatically installed at night. We want to complete the migration of our existing customers as planned in the course of 2025.

In addition to the hurdles we have overcome, we were also able to celebrate further milestones in 2024. At the end of August, the national roaming cooperation with Vodafone started as planned. As part of this partnership, we also offer our mobile customers top network quality wherever 1&1 O-RAN does not yet have its own coverage during the expansion phase. By the end of 2025, national roaming with Vodafone will be available to all 1&1 mobile customers. At the same time, we will gradually phase out our national roaming services from Telefónica. Vodafone has invested heavily in network quality in recent years, delivering impressive results, especially in expanding 5G coverage nationwide.

At the same time, our central goal remains to expand the 1&1 mobile network as quickly as possible and to cover more and more areas with our innovative OpenRAN technology. We are making good progress here. Deliveries of antenna locations by our expansion partners are increasing noticeably. At the end of 2024, we had 2,309 antenna locations, which we are successively connecting to fibre optics and equipping with Gigabit antennas.

In total, we already have over 6,000 antenna locations that are either already in operation or are being actively developed. 1&1 O-RAN is growing day by day.

For 30 years now, 1&1, one of the leading German telecommunications providers, has been a symbol of how innovative and attractive products and service vitalise and mould competition. We are widely recognised for our strong price-performance ratio. Of course, we do not rely on good offerings alone, quality and service are the differentiators for our private and business customers. In 2024 we were also pleased to receive several awards that highlight our commitment to excellence. In the connect Fixed-Line Test 2024, 1&1's high-performance products earned a "very good" rating once again. The IPTV service 1&1 TV also received a "very good" rating in a comparative test by the major consumer magazine IMTEST. Additionally, our customer service performed exceptionally well: In the *connect* Broadband Hotline Test, 1&1 was recognised for having the shortest wait times in the industry, an "outstanding" voice response system, and "top accessibility", earning an overall rating of "very good".

The same applies to the 1&1 mobile hotline: in the current connect test, the 1&1 hotline was rated "very good" in the network operator category. We scored particularly well in the categories of "professional expertise" and 'availability'. Alongside the "very good" rating for 1&1, our discount brand yourfone won the rating of alternative providers with the top mark of "outstanding".

We also secured victory in the connect Network Operator Service App Test: With 988 out of a possible 1,000 points, the 1&1 Control Center not only achieved an "outstanding" first place but also excelled in the categories of "functionality", "navigation" and "data protection". The service platform of our discount brand smartmobil.de also impressed with its well-structured design and received the "outstanding" rating among alternative providers.

For 2025, we expect a stable contract base and service revenues at the prior-year level (2024: €3,303.1 million) due to a slight increase in terminations in connection with the ongoing migration of all mobile customers to the new 1&1 network, which will continue until the end of the year.

EBITDA is expected to decrease by approx. 3.4 percent to approx. €571 million (2024: €590.8 million).

This decline is based on lower EBITDA in the Access operating segment, which is expected to amount to approx. €836 million (2024: €856.1 million). The decline in EBITDA results from the expiration of the national roaming agreement with Telefónica, which provides for one-time payments every five years that are capitalised and amortised. The national roaming agreement with Vodafone, which is commercially equivalent for 1&1, does not provide for such one-time payments. The use of the Vodafone network is recognised in the current service costs within the EBITDA. In this respect, the switch to Vodafone will not result in any change in EBIT – the negative impact on EBITDA is offset by a corresponding positive impact on depreciation.

We expect EBITDA in the 1&1 Mobile Network segment to remain unchanged year-on-year at around €-265 million (2024: €-265.3 million). This includes approximately €-100 million in expenses for customer migration and for network service costs, which will no longer be required after the complete migration of all customers from 2026.

The investment volume (cash capex) is expected to amount to approximately €450 million (2024: €290.6 million).

1&1 is well positioned for the next steps in the Company's development. We are optimistic about the future. Our sincere thanks go to all our employees for their dedicated efforts, as well as to our shareholders and business partners for their continued trust and support.

Best regards from Montabaur

Ralph Dommermuth | Sascha D'Avis | Alessandro Nava

Montabaur, March 2025

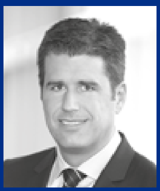
The Management Board Members

Ralph Dommermuth, Chair of the Board

Ralph Dommermuth, born in 1963, laid the groundwork for today's United Internet AG in 1988 when he founded 1&1 Marketing GmbH in 1988. Initially, he provided systematic marketing services to small software providers. Over time, he expanded these services to include marketing solutions for major clients such as IBM, Compaq, and Deutsche Telekom. With the rise of the internet, Ralph Dommermuth gradually phased out third-party marketing services to establish his own internet services and direct customer connections. In 1998, leveraging his background as a trained bank clerk, he took 1&1 public, making it the first internet company on the Frankfurt Stock Exchange. By 2000, Ralph Dommermuth restructured 1&1 into United Internet AG, transforming it into a leading European internet specialist. Since 1 January 2018, Mr. Dommermuth has also been CEO of 1&1 AG.

Sascha D'Avis, Management Board Member

After completing his studies in Business Administration in 2001, Sascha D'Avis began his professional career in the Controlling department at Griesson - de Beukelaer. Since 2004, Mr. D'Avis has held various leadership positions in the finance division of the 1&1 Group and has played a key role in supporting the Company's growth strategy, including the successful merger between 1&1 and Drillisch and its subsequent integration. Most recently, Mr. D'Avis served as a Management Board Member (CFO) of 1&1 Telecommunication SE and CFO of 1&1 Mobilfunk GmbH. Since 1 January 2025, he has been a Management Board Member (CFO) of 1&1 AG.



Alessandro Nava, Management Board Member

Alessandro Nava completed his degree in Business Administration at Heinrich Heine University Düsseldorf in 1997, specialisng in Marketing and Controlling. He began his professional career as a consultant at KPMG Consulting GmbH. In 2000, he joined Vodafone Germany (Vodafone GmbH), where he initially worked as a Senior Department Head in the fixed-line business before transitioning to a leadership role in the integrated fixed-line and mobile communications segment. Throughout his tenure, he held various key positions, including responsibility for IT requirements management & business analysis, customer support, and product development, as well as oversight of online platforms. Following the integration of Vodafone's fixed-line and mobile divisions, Mr. Nava assumed responsibility for the Company's IT development. Since March 2014, he has served as the Management Board Member for "Technology and Development" (CIO) at 1&1 Telecommunications SE. In September 2018, he took on additional responsibility for the "Product Management" division. Since 1 July 2019, Mr. Nava has been a Management Board Member (COO) of 1&1 AG.

Supervisory Board Report

In financial year 2024, the Supervisory Board of 1&1 AG carefully and conscientiously fulfilled the duties and responsibilities assigned to it by legal statutes, the articles of association, the German Corporate Governance Code and by-laws and rules of procedure; the Board regularly advised the Management Board in the latter's leadership of the Company and monitored its management of the Company's business. The Supervisory Board's advisory and oversight activities also included a particular focus on sustainability issues. The Supervisory Board was at all times able to determine the legality, expediency and correctness of the Management Board's work. The Supervisory Board was directly, promptly and comprehensively involved in all decisions that were of fundamental significance for the Company. The Management Board regularly instructed the Supervisory Board and the Audit and Risk Committee, in writing as well as verbally, comprehensively and contemporaneously (during periods between meetings as well), regarding all relevant questions of strategy and the related opportunities and risks, corporate planning, development and course of business, planned and ongoing investments and the Group's position, including the risk situation and risk management, the Internal Control System and the Compliance Management System geared to the Company's risk situation. The Company's strategic orientation is determined by Management and Supervisory Boards in joint consultation. The Management Board submitted a comprehensive report on the course of business, including revenue development and profitability, the Company's position and its business policies to the Supervisory Board at quarterly intervals. The reports included as well information about any aberration in the course of business from planning. The Management Board's reports satisfied the requirements of legal statutes, good corporate governance and the instructions issued to it by the Supervisory Board with respect to both subject matter and scope. The reports were made available to all Supervisory Board members.

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

The Supervisory Board and its appointed Audit and Risk Committee regularly received reports from the Management Board regarding the Group-wide Internal Control and Risk Management systems, internal audit system, and Compliance Management System, all of which also encompass sustainability-related objectives. Following its own reviews and assessments conducted by the Audit and Risk Committee, the Supervisory Board concluded that the Internal Control System, Risk Management System, internal audit system, and Compliance Management System are appropriate and effective.

Supervisory Board members are responsible for obtaining the necessary training and professional development required for their duties. Upon appointment, as well as during ongoing training and development, the Company provides adequate support to the Supervisory Board members. In particular, new members receive a comprehensive onboarding programme upon joining the Supervisory Board of 1&1 AG, which includes access to all necessary documents, explanations of practical and legal frameworks, and insights into specific corporate law matters.

In addition to the individual training and further education measures for Supervisory Board members, the company conducted a workshop for the members of the Supervisory Board in November 2024 with legal and technical experts from the United Internet Group. The workshop provided an overview of the current legal framework for platforms, data and artificial intelligence as part of the EU digital strategy and discussed the main legal acts in this area. The main topics of discussion were artificial intelligence, IT security and data protection, whereby, in addition to the corresponding legal regulations, the specific impact on the companies in the United Internet Group, the effects on them and the implementation of the new legal regulations were discussed in detail.

Furthermore, one member of the Supervisory Board completed further training in 'Corporate Strategy and Strategy Monitoring'.

Personnel changes on the Management Board and Supervisory Board

There were no changes in the membership of the Management Board during financial year 2024. Members of the Management Board are Messrs Ralph Dommermuth (CEO), Markus Huhn and Alessandro Nava.

In the financial year 2025, there was a change in the composition of the Management Board. Mr. Markus Huhn resigned from the Management Board of 1&1 AG as of 31 December 2024. Mr. Sascha D'Avis was appointed Chief Financial Officer as of 1 January 2025.

There were no changes in the membership of the Supervisory Board during financial year 2024.

In accordance with section 96(1), section 101(1) Stock Corporation Act [*Aktiengesetz; AktG*] and section 10(1) of the Company articles of association and by-laws, the Supervisory Board consisted of six members in financial year 2024 and it meets its previous and current objective in the competency profile; since, in the opinion of the Supervisory Board, five of the six members of the Supervisory Board are currently independent, it is ensured that at least two independent members are represented on the Supervisory Board. The proportion of women on the Supervisory Board in financial year 2024 came to 16.66 percent. Supervisory Board chair in the reporting period 2024 was Mr. Kurt Dobitsch, and Mr .Norbert Lang was Supervisory Board deputy chair. According to the Company's assessment, none of the Supervisory Board members hold executive or advisory positions at key competitors. Furthermore, there have been no indications of conflicts of interest involving any members of the Supervisory Board or Management Board.

Meetings and Key Topics

In addition to statutory regular reporting, the Supervisory Board conducted in-depth discussions and reviews of the following key topics in the financial year 2024:

- The separate and the consolidated annual financial statements per 31 December 2023
- Revenue and profit budget 2024 of the Company
- Planning of the investment projects in the corporate group for financial year 2024
- National Roaming cooperation with Vodafone Germany
- Update on NIS2
- The Supervisory Board's report to the Annual General Meeting for financial year 2023, the updating of the Declaration of Conformity pursuant to the German Corporate Governance Code, the Declaration on Corporate Management
- Invitation, agenda, and proposed resolutions for the 2024 Annual General Meeting
- The adoption of the resolution regarding the Management Board's proposed allocation of profits
- The proposal to the Annual General Meeting for the disbursement of dividends
- The audit planning and the quarterly reports of Internal Audit
- Monitoring of the effectiveness of the implemented compliance system
- Quarterly reports on risk management and risk management strategy
- Monitoring of the effectiveness of the internal controlling system that has been implemented
- Dependency Report 2023, review and approval of the Dependency Report 2023
- Corporate development during the year
- The review of the independence of PriceWaterhouseCoopers GmbH and the acting persons, also taking into account the additional services provided, and the main areas of the audit.

In the financial year 2024, four regular Supervisory Board meetings were held, during which the Management Board provided the Supervisory Board with detailed information about the Company's economic position, business development, and significant business transactions, as well as other matters concerning the Management Board. The Supervisory Board has decided that part of the Supervisory Board meetings should regularly take place without the presence of the Management Board.

Three Supervisory Board meetings were held in Montabaur and one in Frankfurt, at which all six members of the Supervisory Board were present in person.

In addition to the ordinary Supervisory Board meetings, an extraordinary Supervisory Board meeting was held to discuss and decide on matters that could not wait until the next ordinary Supervisory Board meeting. All members of the Supervisory Board participated in the extraordinary Supervisory Board meeting by video conference.

In some cases, resolutions of the Supervisory Board were also adopted by written circulation procedure on the basis of written decision papers from the Management Board.

Work of the Audit and Risk Committee, Meetings

In the financial year 2024, the Audit and Risk Committee consisted of Mr. Norbert Lang, Mr. Kurt Dobitsch, and Mr. Matthias Baldermann. Mr. Norbert Lang continued to chair the committee.

The Audit and Risk Committee supports the Supervisory Board in monitoring the accounting, including sustainability reporting and the integrity of the accounting process as well as the effectiveness and functionality of the Internal Control System, Risk Management System, Compliance Management System, and Internal Audit System. Furthermore, it supports the Supervisory Board in monitoring the audit of the financial statements, the services rendered by the auditor, the audit fees and the additional services rendered by the auditor.

The Audit and Risk Committee deals intensively with the annual financial statements and the consolidated financial statements, the summarised management report, including the sustainability report for the company and the group, and the non-financial group declaration, as well as the Executive Board's proposal for the appropriation of net profit.

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

Together with the Management Board and auditors, the committee discusses the assessment of audit risk, audit strategy, audit planning, audit execution, audit focus areas and methodologies, audit results, and audit reports—including aspects related to the Internal Control System concerning the financial reporting process—and provides recommendations to the Supervisory Board. The Audit and Risk Committee regularly consults with the external auditors without the presence of the Management Board. It regularly assesses the quality of the audit. and discusses the quarterly releases and the semi-annual financial report with the Management Board prior to their publication.

Furthermore, the Audit and Risk Committee deals extensively with the Group-wide Internal Control System, Risk Management, Internal Audit System, and Compliance Management System. One of its key responsibilities is to review the adequacy and effectiveness of these systems.

Additionally, the Audit and Risk Committee prepares discussions and resolutions of the Supervisory Board concerning the Supervisory Board’s proposal to the Annual General Meeting regarding the appointment of the external auditors and decisions on corporate governance issues, and it decides on the approval of significant transactions with related parties pursuant to section 111b(1) AktG (so-called Related Party Transactions).

In 2024, the Audit and Risk Committee specifically dealt with the:

- Supervisory Board Report
- Risk Management review
- Declaration on Corporate Governance
- Annual and consolidated financial statements, as well as the Management report
- Non-financial statement
- Project for the Internal Control System,
- the self-assessment of the Audit and Risk Committee
- as well as with presentations and explanations of the business development and the business figures.

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

The Audit and Risk Committee held three regular meetings in the financial year 2024, with all members participating in each meeting. The meetings of the Audit and Risk Committee were conducted as video conferences.

No extraordinary Audit and Risk Committee meetings were held in the financial year 2024.

In addition to these regular meetings, numerous other workshops took place, during which individual committee members worked alongside company employees to review their assigned subject areas. The purpose of these sessions was to gain a deeper understanding of the control systems mentioned above and to derive measures aimed at continuously improving these systems.

Corporate governance

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

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

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

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

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

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

Management Board and Supervisory Board report on corporate governance pursuant to C.22 of the DCGK within the scope of the Declaration on Corporate Management. Management Board and Supervisory Board issued a joint Declaration of Conformity pursuant to section 161 AktG during the reporting period, most recently on 16 December 2024, showing that the Company is in compliance with most of the recommendations of German Corporate Governance Codex. The declarations and related explanatory comments are permanently available to the shareholders on the Company's internet site. In all other respects, reference is made to the statements in the Corporate Governance Statement 2024.

Discussion of separate and consolidated annual financial statements 2024

The separate annual financial statements and the consolidated annual financial statements as at 31 December 2024, the report on the position of the Company and Group (including the explanatory report on the disclosures pursuant to section 289a(1) and section 315(2a) HGB) and the accounting and risk management system, prepared and submitted in good time by the Management Board, were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, the accounting firm elected by the Annual General Meeting on 16 May 2024 for this task, and an unqualified auditor's opinion was issued to the documents.

The annual and consolidated financial statements, the management reports for the company and the group, and the corresponding audit reports by the auditor were submitted to all members of the Supervisory Board. The key audit matters (KAM) were the focus of the audit, and included the following points: for the consolidated financial statements, revenue recognition, impairment testing of goodwill and frequency licences, and recognition and measurement of financial assets (HGB).

Finally, the concluding documents were examined and discussed during a meeting of the Supervisory Board on 25 March 2025 in the presence of the auditor. At that time, the auditor reported on the most significant results of its audit, explained the results and gave detailed answers to questions posed by the Supervisory Board members. Subject matter of this discussion included in particular the results of the audit regarding the defined key audit matters and the accounting processes. The Internal Control System, Risk Report and Risk Management System were discussed in detail with the auditor at the Supervisory Board meeting on 25 March 2025. Regarding the system for the early detection of threats, the auditor determined that the Management Board had implemented the measures required pursuant to section 91(2) AktG, in particular with respect to the implementation of a monitoring system, in an appropriate manner and that the monitoring system was suitable to detect in good time any developments that might jeopardise the continued existence of the Company. Following its own audit, the Supervisory Board agreed with the audit results reached by the auditor and, after considering the final results of its own audit, does not raise any objections. In a resolution adopted during its meeting on 25 March 2025, the Supervisory Board approved the separate and the consolidated annual financial statements 2024. The annual financial statements have been adopted pursuant to section 172 AktG. The Supervisory Board also approved the remuneration report adopted by the Management Board in its meeting of 25 March 2025.

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

The Management Board submitted the report it had prepared on the relationships to affiliated companies (Dependency Report) for financial year 2024 to the Supervisory Board in good time.

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

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

- The factual contents of the report are correct;
- The performance of the Company was not unreasonably high in view of the legal transactions described in the report;
- No circumstances indicate an assessment differing essentially from that of the Management Board for the actions described in the report.

The auditor submitted the audit report to the Supervisory Board. The Supervisory Board reviewed the Management Board's Dependency Report and the audit report. The final review by the Supervisory Board took place during the Supervisory Board meeting on 25 March 2025. The auditor attended the meeting and reported on its audit of the Dependency Report and its key audit results, explained its audit report and answered questions about the report and the Sustainability Report from the Supervisory Board members. In accordance with the concluding results of its audit, the Supervisory Board accepts the Management Board’s Dependency Report and audit report and does not have any objections to the Management Board’s explanations at the conclusion of the report concerning the relationships to affiliated companies.

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

Montabaur, 25 March 2025

On behalf of the Supervisory Board
Kurt Dobitsch

Supervisory Board Members in Financial Year 2024

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

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

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

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

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

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

Declaration on Corporate Governance

Principles of corporate governance

The corporate governance of 1&1 AG as a listed German stock corporation is determined by the relevant legal regulations as well as by the recommendations and suggestions of the German Corporate Governance Code (DCGK).

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

The Management and Supervisory Boards of 1&1 AG consider it their duty to ensure the continued existence of the Company and sustainable added value through responsible corporate governance oriented to the long term. Ecological and social goals are given due regard as well.

In this Declaration on corporate governance, the Management Board and the Supervisory Board report on the statutory requirements under Section 289f HGB for the individual company and under Section 315d HGB for the Group, also in accordance with Principle 23 of the DCGK on the Company's corporate governance (Corporate Governance Report). The Corporate Governance Report is based on the latest version of the DCGK, dated 28 April 2022, which was published in the Federal Gazette on 27 June 2022.

Management and corporate structure

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

Management Board

Working methods of the Management Board

The Management Board is the managing body of the Group. It consisted of three persons in financial year 2024 (Mr. Ralph Dommermuth, Mr. Markus Huhn and Mr. Alessandro Nava). Following the resignation of Mr. Markus Huhn on 31 December 2024 and the appointment of Mr. Sascha D'Avis on 1 January 2025, the Management Board will continue to consist of three members.

A term of three years is being considered for initial appointments. The Supervisory Board assesses on a case-by-case basis which appointment duration is appropriate within the legally permissible term limits. Furthermore, Management Board members are not appointed for a term longer than five years. The Management Board conducts business in accordance with the law, the Company's Articles of Association, the Supervisory Board's rules of procedure, and the respective recommendations of the German Corporate Governance Code, unless deviations are declared in accordance with section 161 AktG.

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

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

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

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

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

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

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

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

The Management Board as a whole adopts its decisions by a simple majority of votes. In the event of a tie, the Board chair casts the deciding vote. Management Board decisions are recorded in the minutes of the meeting. The full Management Board meets every fortnight as a rule; further meetings are convened as required by circumstances.

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

During the reporting period, the members of the Management Board did not and do not currently hold any supervisory board mandates in any other listed company outside the Group or comparable functions and therefore do not hold any supervisory board chairmanship roles in such companies.

Current membership of the Management Board

The Management Board of 1&1 AG consisted of the following members in the financial year 2024:

- Ralph Dommermuth, Chair of the Board (since January 2018)

- Markus Huhn, Chief Financial Officer (since July 2019 to 31 December 2024)

- Alessandro Nava, Chief Operations Officer (since July 2019)

- Sascha D'Avis, Chief Financial Officer (since January 2025)

Supervisory Board

Working methods of the Supervisory Board

The Supervisory Board elected by the Annual General Meeting consisted of six members in financial year 2024. As a rule, the term of office of the Supervisory Board members is 5 years.

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

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

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

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

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

The Supervisory Board as a whole along with the Audit and Risk Committee of the Supervisory Board regularly conducts an efficiency review within the framework of a self-assessment. In accordance with Recommendation D.12 DCGK, Supervisory Board and the Committee assess how effectively they each fulfil their duties as a body. The review takes the form of a self-assessment based on questionnaires and is conducted approximately every two years.

The Supervisory Board of 1&1 AG conducted a self-assessment for the financial year 2023 in the fourth quarter of 2023, with the participation of all members and the Chair of the Supervisory Board. The self-assessment was based on a comprehensive questionnaire, which primarily covered the evaluation of the working methods and activities of the Supervisory Board, as well as its size and structure. Additionally, the collaboration with the external auditor and the exchange with the Management Board and various company departments were assessed.

The last self-assessment of the Audit and Risk Committee was conducted and analysed in the third quarter of 2024. This self-assessment was also based on a comprehensive questionnaire, focusing on key aspects such as expectations, time commitment, composition of the Audit and Risk Committee, collaboration with the external auditor, handling of conflicts of interest, remuneration of the Management Board and Supervisory Board, and accounting matters.

The results of the self-assessment confirmed a good and open exchange within the committees, as well as a trusting and collegial collaboration with the external auditor, the Management Board, and company departments. The professional cooperation is reflected, for example, in the receipt of well-prepared documents and information, which are always provided appropriately and on time. The results of the assessment are evaluated anonymously and subsequently discussed in a plenary session. Individual suggestions are addressed and implemented throughout the year as part of the work of the Supervisory Board and the Audit and Risk Committee.

Following a thorough evaluation, the efficiency of the activities of both the Supervisory Board and the committee is expected to remain high.

The Supervisory Board members assume on their own initiative responsibility for any training and advanced training measures required for their tasks, and their actions are appropriately supported by the Company. Measures taken are reported in the Supervisory Board's report.

A meeting of the Supervisory Board is convened at least twice in every calendar half-year. Meetings of the Supervisory Board are convened in writing by its Chair at least 14 days in advance. Further and more detailed information on the exact number of meetings and the topics discussed can be found in the Supervisory Board's report to the Company's Annual General Meeting.

The agenda items must be communicated when convening a Supervisory Board meeting. If an agenda has not been properly announced, resolutions may be adopted solely if and when no Supervisory Board member objects before the vote on the resolution.

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

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

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

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

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

The Audit and Risk Committee supports the Supervisory Board in monitoring the accounting and the integrity of the accounting process as well as the effectiveness and functionality of the Internal Control System, Risk Management System, Compliance Management System, and Internal Audit System. Furthermore, it supports the Supervisory Board in monitoring the audit of the financial statements, the services rendered by the auditor, the audit fees and the additional services rendered by the auditor.

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

The Audit and Risk Committee prepares the negotiations and resolutions of the Supervisory Board for the nomination of the auditor for submission to the Annual General Meeting and any decisions on corporate governance issues; moreover, it decides on the approval of significant transactions with related parties pursuant to section 111b(1) AktG (so-called Related Party Transactions). There were no such transactions during the reporting period.

The Audit Committee discusses the assessment of the audit risk, the audit strategy and audit planning and the audit results with the auditor. The Chair of the Audit Committee regularly exchanges views with the external auditor—also in the presence of all members of the Audit and Risk Committee—on current audit topics and the progress of the audit. The Audit Committee regularly speaks to the auditor, at times without the participation of the Management Board. In 2024, a coordination meeting was held with the external auditor.

The chair of the Audit Committee regularly reports to the Supervisory Board on the activities of the Audit and Risk Committee. In the event of significant incidents and findings of the Audit and Risk Committee, the chair of the supervisory board is informed immediately.

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

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

Giving due regard to

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

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

When making proposals to the Annual General Meeting for the election of Supervisory Board members, the Supervisory Board will take its objectives into account and ensure that the respective candidates meet the requirements to fulfil the competency profile for the entire body. The specific situation of the Company is considered during this procedure.

Requirements for individual members

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

General requirements profile

Each member of the Supervisory Board should have the knowledge and experience to be able to diligently and advise the Management Board of the Company and to assess any risks to the Company's business. The Supervisory Board will also ensure that all Supervisory Board members have a personal profile that enables them to uphold the Company's reputation in the public arena.

Time availability

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

Conflicts of interest

Supervisory Board members should not engage in any activities that make the frequent occurrence of conflicts of interest likely. This includes holding executive or advisory roles at major competitors or having personal relationships with such competitors.

Age limit for Supervisory Board members

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

Requirements for the membership of the Board as a body

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

Competence profile for the full Board

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

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

- Expertise or experience from other business sectors;

- Entrepreneurial or operational experience;

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

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

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

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

- Knowledge and experience in strategy development and realisation;

- In-depth knowledge and experience in financial controlling and risk management;

- Knowledge and experience in personnel planning and management (human resources);

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

- Expertise concerning the needs of capital market-oriented companies;

- The Supervisory Board should not include more than two former members of the Management Board. This criterion is also met as solely Mr. Vlasios Choulidis served as a Management Board member and spokesman prior to his election to the Supervisory Board. Furthermore, Supervisory Board members should immediately disclose to the Supervisory Board any conflicts of interest that may arise and resign from the Supervisory Board whenever there are permanent conflicts of interest. No such conflicts of interest arose in the reporting year.

- Supervisory Board members should step down from the Supervisory Board at the end of the Annual General Meeting following their 75th birthday. This criterion is also met.

- There should be at least one woman on the Supervisory Board. This criterion is met through the membership of Ms. Christine Schöneweis on the Supervisory Board.

Diversity
The Supervisory Board strives to for diversity in its membership so that the Supervisory Board as a whole has sufficient diversity of opinion and knowledge. In its election proposals, the Supervisory Board will also consider the Company's established diversity concept, including target figures, which is outlined in a separate section below.

Independence
The Supervisory Board aims to ensure that at least four of the six members of the Supervisory Board are, in its opinion, independent within the meaning of the criteria set out in the recommendations of the German Corporate Governance Code.

In the reporting year, the Supervisory Board again addressed the above goals for its membership, in particular with regard to the competence profile for the Board as a whole, and further expanded them. The Supervisory Board aims to fulfil the competency profile it has developed for the entire body.

Membership of the Supervisory Board

The Supervisory Board of 1&1 AG consisted of the following members in the financial year 2024:

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

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

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

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

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

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

In the opinion of the Supervisory Board, five of the six members of the current Supervisory Board are independent of the company and its Executive Board and the controlling shareholder within the meaning of recommendations C.7 and C.9 of the German Corporate Governance Code (GCGC). In particular, the Chairman of the Supervisory Board and the Chairman of the Audit and Risk Committee are also independent within the meaning of C.10 of the German Corporate Governance Code (GCGC).

Qualification matrix:

		Kurt Dobitsch	Friedrich Joussen	Matthias Baldermann	Christine Schöneweis	Vlasios Choulidis	Norbert Lang
Term 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 qualifications	Telecommunications industry	✓	✓	✓		✓	✓
	Media and/or IT industry	✓	✓	✓	✓	✓	✓
	Expertise / experience from other business sectors	✓	✓		✓		✓
	Entrepreneurial or operational experience	✓	✓	✓	✓	✓	✓
	Application of accounting principles, internal control, and risk management systems, including sustainability reporting	✓					✓
	External audit, including the audit of sustainability reporting	✓					✓
	Expertise in sustainability issues relevant to the Company	✓	✓		✓		
	Strategy development and implementation	✓	✓	✓	✓	✓	✓
	Controlling and risk management	✓			✓	✓	✓
	Personnel planning and leadership (HR)	✓			✓		✓
	Governance and compliance	✓	✓		✓		✓
	Expertise concerning the needs of capital market-oriented companies	✓				✓	✓
International experience	e.g. through several years of professional activity abroad or operational experience in an internationally active company (e.g. in financial engineering, telecommunications, or M&A)	✓	✓	✓	✓	✓	✓

The members of the Audit and Risk Committee of the Supervisory Board possess extensive expertise in the areas specified in section D.3 DCGK, which are detailed below.

The Chair of the Audit Committee, Mr. Norbert Lang, has extensive expertise in accounting and auditing, including sustainability reporting and its audit, due to his former role as a Management Board member of United Internet AG. His expertise in these areas includes in-depth knowledge and experience in the application of international and national accounting principles and internal control and risk management systems. Regarding auditing, his expertise consists of specialised knowledge and experience in financial statement audits.

As another member of the Audit Committee, Mr. Kurt Dobitsch, has extensive expertise in accounting and auditing, including sustainability reporting and its audit, due to his long-standing career as former Vice President Europe at Compaq Computer Corporation, former Managing Director of Access Computer GmbH, and Chair of the Supervisory Board of 1&1 AG. His expertise in these areas includes in-depth knowledge and experience in the application of international and national accounting principles and internal control and risk management systems. Regarding auditing, his expertise consists of specialised knowledge and experience in financial statement audits.

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

Provided that no stub years have been created, the term of office of Supervisory Board members ends on the conclusion of the Annual General Meeting of 2028.

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

Under the German Stock Corporation Act (AktG), 1&1 AG, as a publicly listed company, is subject to the following obligations:

- Determination of targets for the proportion of women on the 1&1 AG Supervisory Board by the Supervisory Board (section 111(5) AktG).

- Determination of targets for the proportion of women on the 1&1 AG Management Board by the Supervisory Board (section 111(5) AktG).

- Setting of targets for the proportion of women in the first and second management levels of 1&1 AG by the Management Board (section 76(4) AktG).

The following determinations may each cover a maximum period of 5 years.

After thorough review, the Supervisory Board and the Management Board of 1&1 AG have adopted the following resolutions:

- The Supervisory Board has set the deadline for achieving the current target quotas for the proportion of women on the Supervisory Board and the Management Board as the end of the Annual General Meeting in 2028, which will decide on the discharge of the Supervisory Board for the financial year 2027. In this Annual General Meeting, the Supervisory Board will be newly elected.

- The target quota of 16.66 percent for the Supervisory Board will be maintained (section 111 (5) AktG). The Supervisory Board currently consists of one woman and five men.

- The target quota for the Management Board remains at "0". All members of the current Management Board are men. No changes in the membership or an increase in the size of this body were planned or foreseen for 2024. In the view of the Supervisory Board, the goal pursued by lawmakers of increasing the proportion of women is in this respect secondary to the interest of the Company in the continuation of the successful work by trained members of the Management Board and in a size of the Management Board that is adapted to the needs of the Company (section 111(5) AktG).

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

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

- The Management Board has set a target of 50 percent for the proportion of women at the first and second management levels below the Management Board (section 76(4) AktG). The Management Board set the deadline for achieving the current targets for the proportion of women on the Supervisory and Management Boards as the end of the Annual General Meeting that adopts a resolution for the discharge of the Supervisory Board for financial year 2027 (May 2028).

The Supervisory Board and Management Board of 1&1 AG currently consider the above-mentioned targets for the Supervisory Board and Management Board to be met without exception.

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

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

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

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

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

- The Management and Supervisory Boards have each set a target for the gender ratio for the reference period until the end of the Annual General Meeting in 2028 that adopts a resolution discharging the Supervisory Board for financial year 2027. The current Supervisory Board has one woman and five men in its membership. Both sexes should be treated equally according to their qualifications.

- With the exception of the age limit of 70 years and 75 years respectively as set out in B. 5 and C2 GCGC, there are no differentiations according to age for the members of the Management and Supervisory Boards and the sole distinctions are based on the required knowledge and experience.

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

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

The Supervisory Board has determined that the entirety of the statutory and self-determined provisions governing its composition (targets for composition, competency profile, statutory target for the proportion of women, age limit and the other provisions set out above) shall be deemed to constitute 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 expedient. In view of the current size of the Management and Supervisory Boards, a larger catalogue and more specificity of the diversity aspects would cause substantial difficulties in filling the positions adequately in accordance with all diversity criteria.

According to the assessment of the members of the Management Board and the Supervisory Board, the diversity concept for the Management Board and the Supervisory Board is currently fulfilled.

Annual General Meeting

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

Governance Functions

At 1&1 AG, governance functions are part of an integrated "GRC" organisation, which includes Corporate Governance, Risk Management, the Internal Control System, and Corporate Compliance. The GRC functions are under the unified leadership of the Chief Financial Officer (CFO) of 1&1 AG.

Internal Control System and Risk Management System

To ensure the long-term success of 1&1 AG, it is essential to effectively identify, analyse, and mitigate business risks across the Group through appropriate control and management measures. The Internal Control System (ICS) and the Risk Management System (RMS) ensure responsible handling of risks. These systems are specifically designed to identify, assess, manage, and monitor risks at an early stage throughout the Group. They are continuously developed and adapted to changing conditions. The Management Board regularly informs the Supervisory Board about existing risks, their management, and the effectiveness of internal controls. The adequacy and effectiveness of the Internal Control System and the Risk Management System have been confirmed by the Supervisory Board in its entirety.

The key characteristics of the Internal Control System and Risk Management System concerning the Company's and Group's financial reporting processes are detailed in the consolidated management report for the Company and the Group, in accordance with sections 289 (4) and 315 (4) HGB. The Management Board also reports in detail on any existing risks and their development in these reports.

Compliance

To ensure compliance with legal regulations and internal company policies, the Management Board of 1&1 AG has implemented a Group-wide, risk-oriented Compliance Management System (CMS).The primary objective of this CMS is to prevent or at least minimise actual violations and related risks. Any violations that do occur should be detected, remedied and, depending on their severity, sanctioned. The core element of this system is a central Code of Conduct, which applies to all board members and employees of 1&1 AG, and ensures that the Company's values and ethical principles are consistently and continuously upheld.

The Compliance Department is responsible for the implementation and design of the CMS. In certain areas, such as Human Resources (HR), the Compliance Department is supported by functional Compliance Managers.

The overarching goal of all compliance activities is to prevent compliance violations. Appropriate measures geared to the Company's risk situation along the three levels of action "Prevent", "Recognise" and "Respond" are intended to achieve this goal. Key focus areas include: anti-corruption measures, policy management, confidential reporting channels and whistleblower protection.

The key elements of the Compliance Management System are described in detail in the Sustainability Report of 1&1 AG.

Financial publicity/Transparency

1&1 AG is committed to providing institutional investors, private shareholders, financial analysts, employees, and the general public with regular, transparent, and up-to-date information about the Company's financial position.

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

1&1 AG reports to shareholders, analysts and press representatives on the development of business and the financial and earnings position four times in each financial year as announced in a fixed financial calendar. The financial calendar is published and regularly updated on the Company's website in accordance with legal requirements.

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

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

Accounting and auditing

The Group's accounts are prepared in accordance with the principles of the International Financial Reporting Standards (IFRS, as applicable in the EU), with due consideration of section 315e HGB. The annual financial statements of 1&1 AG relevant for disbursement and tax purposes, on the other hand, are prepared according to the provisions of the German Commercial Code (HGB). The separate and consolidated annual financial statements are audited by independent auditors. The auditor is elected by the Annual General Meeting. The Supervisory Board issues the audit mandate, determines the focal points of the audit and the audit fee and reviews the independence of the auditor.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft has been the auditor for 1&1 AG and the Group since financial year 2022. Mr. Erik Hönig is the CPA in charge of the audit for financial year 2024.

Remuneration for Management Board and Supervisory Board

The remuneration of the members of the Management Board and the Supervisory Board is presented in detail in the Remuneration report for the financial year 2024 , in accordance with section 162 AktG, which, along with the corresponding auditor's statement, is published on the Company's website at www.1und1.ag/corporate-governance#verguetungsbericht and can be accessed there. An annex to this Remuneration report provides a comprehensive overview of the applicable remuneration system, as required by section 87a (1) and (2) sentence 1 AktG, and also includes the most recent remuneration resolution adopted by the Annual General Meeting in accordance with section 113(3) AktG. Further details regarding Management and Supervisory Board remuneration can also be found in the notes to the consolidated financial statements for the financial year 2024 under item 42 in the notes.

Stock option programmes

The basic features of 1&1 AG's employee share ownership programme can be found in the "Remuneration Report 2024", which is published on the Company's website at www.1und1.ag/corporate-governance#verguetungsbericht. Further information can be found in the Notes to the consolidated financial statements under item 37 in the notes.

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

The 1&1 AG Management and Supervisory Boards issued the following Declaration of Conformity, on 16 December 2024, pursuant to section 161 AktG and published it on the Company's website (www.1und1.ag) and in the Federal Gazette.

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

The 1&1 AG Management and Supervisory Boards declare that 1&1 AG has complied with the recommendations of the German Corporate Governance Code ("Code"), in its version dated 28 April 2022, which became effective upon publication in the Federal Gazette on 27 June 2022 and formed the basis of the previous Declaration of Compliance issued on 18 December 2023, except for the deviations stated therein and will continue to follow the recommendations of the Code with the following exceptions:

Clause D.4
Formation of a Nomination Committee

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

Remuneration of the Management Board – remuneration system

Upon being presented to the Annual General Meeting in May 2024, the remuneration system was adjusted as the basis for service contracts with members of the Management Board. The remuneration system for Management Board members now fully incorporates the recommendations set out in sections G.1 to G.5 of the Code without restrictions. However, at the time the currently valid remuneration system was approved, existing service contracts with Management Board members did not yet fully comply with these rules, which is why a deviation from the recommendations in G.1 to G.5 was declared. Following the AGM in May 2024, these service contracts were subsequently adjusted and now fully align with the remuneration system approved by the AGM.

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

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

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

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

According to G.11 of the Code, the Supervisory Board should have the possibility to withhold or claw back variable remuneration in justified cases. At the time of the AGM in 2024, the service contracts of Management Board members did not yet include such provisions. As part of the updated remuneration system, a "Clawback Clause" was introduced, allowing the recovery of variable remuneration, and has also been incorporated into the updated service contracts of Management Board members following the AGM in 2024.

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

According to G.13 of the Code, payments to a Management Board member in the event of premature termination of Management Board activities should not exceed the value of two years' remuneration and should not remunerate the member for a period longer than the remaining term of the service contract. If and when there is a post-contractual non-competition clause, any such severance payment should also be offset against the waiting period compensation. The employment contracts for the Management Board members have only included such an offsetting option since an adjustment following the 2024 AGM. Consequently, a deviation from G.13 of the Code was declared regarding the previous contracts, which remained in effect until the 2024 AGM. This is also included in the remuneration system and will also be taken into account in future new service contracts to be concluded for Management Board members (and any termination agreements linked to said contracts).

Report on the Position of 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 Group

1.1 Business Model

1&1 Group

The 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 runs its own mobile 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 rolling out 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 16.39 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 Access segment. 1&1 uses the landline network of its affiliate 1&1 Versatel GmbH, which, like 1&1, is also part of 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 bundled 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, operating companies in the Access segment have 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 and from Vodafone since 29 August 2024.

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 started at the beginning of 2024. The MBA MVNO contract ends as scheduled in 2025.

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

1&1 operates a fully virtualised, fully functional mobile network based on innovative Open RAN technology. The expenditures and income relating to the ongoing construction and operation of the Company's own 1&1 mobile network are disclosed in the 1&1 Mobile Network segment.

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. 1&1 plans to use gigabit antennas at all antenna sites, which 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 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, the Company is also building its own antenna locations through various expansion partners.

Major Sites

Site	Activity Focus	Company
Maintal	IT	IQ-optimize Software GmbH
	Customer Service, Product Marketing, Sales	Drillisch Online GmbH
Krefeld	Customer Service, Finance	Drillisch Online GmbH
	IT	IQ-optimize Software GmbH
Düsseldorf	Mains operation	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, Controlling, Accounts Receivable, Marketing, Human Resources, PR, Legal and Privacy, Software Development and IT Operations	1&1 Telecommunication SE
	Partner-management	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	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 3,299 (previous year: 3,255) was employed at 1&1 Group in financial year 2024.

1.2 Goals and strategy

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

A large and steadily rising number of customer relationships also helps the Company to take advantage of so-called scaling effects; the greater the demand from customers for the products, the better fixed costs can be covered and the higher the profit. These profits can then be invested in acquiring new customers as well as 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; 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 16.39 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 prepared for edge computing applications thanks to the architecture of its data centres.

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 item 2.2.

As a holding company, 1&1 AG (individual entity) is primarily influenced by its investment result (profit and loss transfer agreements and dividend distributions) and its interest income. The Company focuses on its investment result and annual net income.

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

Item 2.2 "Business Development", under "Actual and Forecasted Business Performance" presents a comparison of the forecasted key performance indicators and the actual figures for these KPIs. Further details on business development for the financial year 2024 are provided in item 2.3 "Position of the Group", and in item 2.4 "Position of the Company" in the Overall Assessment of Business Development.

1.4 Innovations

1&1 Mobile Network

1&1 is building the first mobile network in Europe that runs entirely on innovative Open RAN technology. 1&1 Open RAN creates a globally innovative mobile communications network that will fully utilise 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 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. Solely standard hardware is used in the 1&1 data centres, and 1&1 can flexibly rely on the most efficient server generation at any given time.

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 specialised network suppliers such as Huawei, the 1&1 Open RAN has a large number of standardised 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.

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

In its latest economic outlook (World Economic Outlook, Update January 2025), the International Monetary Fund (IMF) reported that provisional calculations indicated a plus of 3.2 percent for the global economy in 2024. Growth remained roughly at the previous year's level of 3.3 percent.

The economic situation in Germany again showed a decline in economic output in 2024, with a decrease of -0.2 percent (previous year: -0.3 percent).

The IMF's calculations for Germany are in line with the preliminary calculations of the Federal Statistical Office (Destatis). During the press conference "Gross Domestic Product 2024" on 15 January 2025, Destatis also confirmed a real GDP decline of -0.2 percent in 2024 (previous year: -0.3 percent). According to Destatis, this was due to cyclical and structural challenges, including: Increasing competition for German exports in key sales markets, high energy costs, persistently high interest rates, and also uncertain economic outlooks.

Changes in growth forecasts during 2024

	January Forecast 2024	April Forecast 2024	July Forecast 2024	October Forecast 2024	Actual 2024	Deviation from January Forecast
World	3.1 %	3.2 %	3.2 %	3.2 %	3.2 %	+ 0.1 percentage points
Germany	0.5 %	0.2 %	0.2 %	0.0 %	–0.2 %	–0.7 percentage points

Source: International Monetary Fund, World Economic Outlook (Update), January 2025

Multi-period overview: GDP development

	2020	2021	2022	2023	2024
World	–3.1 %	6.2 %	3.5 %	3.3 %	3.2 %
Germany	–4.6 %	2.6 %	1.8 %	–0.3 %	–0.2 %

Source: International Monetary Fund, World Economic Outlook (Update), January 2025

Development of the industry/core markets

In contrast, the digital economy in Germany remains on a growth trajectory. Despite the challenging economic environment, the German digital association Bitkom expects the IT and telecommunications (ICT) market to grow by 3.3 percent in 2024 (previous year: 2.4 percent) to €222.6 billion.

The rise in the overall ICT market is due in particular to strong revenue increases in information technology. Within this largest ICT submarket, Bitkom forecasts a 4.4 percent increase in 2024 (previous year: 2.6 percent) to €149.7 billion. However, developments within individual submarket varied: Software (including AI platforms, collaboration tools, and cloud services) grew by 9.5 percent (previous year: 12.1 percent). IT services increased by 3.8 percent (previous year: 5.0 percent). IT hardware saw only a slight increase of 0.7 percent, following a decline of -6.1 percent in the previous year (which was influenced by high pandemic-era investments).

For the ICT submarket of telecommunications, Bitkom anticipates a 1.0 percent growth in 2024 (previous year: 2.0 percent) to €73.0 billion. However, individual sub-segments showed mixed performance. Telecommunications services grew by 1.8 percent (previous year: 2.1 percent) and device sales increased by 1.6 percent (previous year: 3.1 percent), while infrastructure business declined by -4.8 percent (previous year: -0.7 percent).

For 1&1-relevant service revenues, the auditing and consulting firm PricewaterhouseCoopers (PwC) projects a 1.3 percent increase in 2024, reaching €32.6 billion, according to the study "German Entertainment and Media Outlook 2024 - 2028" (September 2024). Mobile service revenues are expected to rise by 2.0 percent to €18.0 billion and broadband service revenues are forecast to grow by 0.4 percent to €14.6 billion.

The number of mobile contracts is expected to increase by 2.8 percent in 2024, reaching 179.9 million. This growth is primarily driven by a 57.5 percent increase in 5G contracts, reaching 55.3 million, while contracts with lower data rates are projected to decline significantly.

For fixed broadband connections, PwC anticipates a 0.8 percent increase in 2024, reaching 38.9 million. DSL connections declined by -5.0 percent to 23.4 million. Cable connections fell by -1.2 percent to 8.5 million. Fibre-optic connections surged by 38.0 percent to 5.8 million.

Market Indicators: German Telecommunications Market

	2024	2023	Change
Mobile revenues (in €bn)	73.0	72.3	+1.0%

Source: Bitkom, January 2025

General legal conditions/Major events

The general legal conditions for 1&1's business activities remained essentially constant in financial year 2024 compared to financial year 2023 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.

On 26 August 2024, the Administrative Court of Cologne ruled that the allocation rules of the 2019 frequency auction were unlawful. At the core of its decision, the court criticised the lack of a service provider obligation, meaning there was no requirement for network operators to open their networks to providers without their own mobile infrastructure in exchange for fees. The administrative court did not allow an appeal against this ruling. After the publication of the court's reasoning, the Federal Network Agency filed a non-admission complaint against the exclusion of an appeal, which means that the ruling is not yet legally binding. It remains uncertain whether this complaint will be successful and whether the Federal Network Agency will actually proceed with an appeal. At this stage, the potential consequences of the ruling, should it become legally binding, are also unclear. However, 1&1 currently assumes that no significant risks will arise from this ruling.

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. Low-band frequencies in the 800 MHz spectrum will expire at the end of 2025. As part of the new award process, 1&1 currently expects to have access to low-band frequencies.

Key New Contracts and Events

1&1 Begins Migrating Existing Customers to Its 1&1 Mobile Network

Following the launch of 1&1's mobile network for mobile services at the end of 2023, the Company began migrating its more than 12 million existing mobile customers from third-party networks to the 1&1 mobile network in January 2024.

By gradually migrating existing customers to its own network, 1&1 can reduce its reliance on third-party wholesale network purchases and instead utilize its own network infrastructure, leading to increasing cost savings in wholesale procurement.

Temporary Limitations on 1&1 Mobile Network Availability

Revenue and earnings were adversely affected by the temporary outage of the 1&1 mobile network in May 2024, which led to an increase in contract cancellations beyond initial expectations. Additionally, the planned migration of existing customers to the 1&1 mobile network was temporarily restricted due to an unexpected under-dimensioning of certain network components. The migration could only resume at full scale in the fourth quarter of 2024.

Consequently, the anticipated cost savings from migrating existing customer contracts (previously on a wholesale basis) to the 1&1 network were only be partially realised in 2024. Furthermore, we incurred temporarily higher expenses to address capacity constraints identified in the aftermath of the network outage.

Negotiations with the network expansion partner responsible for the outage and under-dimensioning, which are intended to result in compensation payments, have not yet been concluded.

Finalisation of the National Roaming Agreement with Vodafone

In August 2024, Vodafone and 1&1 officially launched their national roaming partnership for mobile services. After both companies agreed on a preliminary contract for this collaboration in the previous year, the detailed final agreement was signed on 23 August 2024.

Since 29 August 2024, new 1&1 customers have been able to use Vodafone's mobile network on their smartphones. The migration of existing customers to Vodafone as the national roaming partner has also been ongoing since then. By the end of 2025, national roaming via Vodafone is expected to be available for all 1&1 mobile customers. At the same time, national roaming services previously provided by Telefónica will be fully phased out. National roaming is a standard industry practice when building new mobile networks, allowing customers to continue using mobile services seamlessly in areas that are not yet covered by the new network. Antennas of the roaming partner are automatically used in these areas.

The partnership between Vodafone and 1&1 is designed for the long term and includes mechanisms to protect both companies against rising costs and increasing data demands.

No other significant events with a decisive influence on the course of business occurred in financial year 2024.

External influences

No external significant events with a decisive influence on the course of 1&1's business occurred in financial year 2024.

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 generated from voice and data services

- Gross profit: The gross profit is calculated as the difference between sales revenues and the cost of purchased services and goods.

- 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 depreciation on intangible and tangible assets (items disclosed in the cash flow statement) and depreciation on assets capitalised during the acquisition of companies.

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

- Cash flow before changes in balance sheet items (subtotal): The cash flow before changes in balance sheet items is derived from the consolidated result, adjusted for non-cash effects. This includes, among other things, depreciation, deferred taxes, and interest and financing expenses. This subtotal represents the operational cash inflow before taking into account changes in working capital and other balance sheet items.

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

- CapEx: Additions to intangible assets and property, plant, and equipment, excluding usage rights capitalised under IFRS 16, minus proceeds from sales

- Cash CapEx: cash outflows for investments in intangible and tangible assets, minus proceeds from sales

The most relevant financial performance indicators for Group management are Service Revenue, EBITDA according to IFRS, and Cash CapEx. In addition to these financial key performance indicators, the most important non-financial key indicator is the number of customer contracts.

The aforementioned performance indicators 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 performance indicators" (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 key 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 roll-over to the unadjusted financial key performance indicators. No adjustments were necessary for the financial years 2023 and 2024, so the unadjusted figures are comparable.

Actual and forecast course of business

Forecast course of business – 1&1

1&1 published the forecast for financial year 2024 as part of its 2023 annual financial statements. During the year, figures were adjusted for greater precision:

	Actual 2023	Forecast 2024 (March 2024)	Update (August 2024)[1]	Concretisation (November 2024)[2]	Actual 2024
Service revenues	€3,243.2m	€3,370.1m	€3,300.0m	€3,301.1m	€3,301.1m
EBITDA	€653.8m	approx. €720.0m	approx. €686.0m	approx. €686.0m	€590.8m
Cash-CAPEX	€295.6m	approx. €380.0m	approx. €460.0m	approx. €460.0m	€290.6m
growth customer contracts	approx. 480k	200k-300k	200k-300k	100k-200k	approx. 130k

[1] Update based on current business performance as a result of the network outage
[2] Clarification due to the effects of extraordinary terminations

Actual course of business – 1&1

The operational performance of the 1&1 Group in financial year 2024 was significantly negatively affected by the consequences of the 1&1 mobile network outage in late May 2024.

As a result, there was a sharp increase in contract terminations, primarily between May and August 2024. Additional negative effects on earnings stemmed from reduced cost savings in wholesale procurement due to the temporary slowdown in customer migration, and unexpected costs incurred to eliminate capacity bottlenecks identified following the network outage.

The migration of existing customers to the 1&1 mobile network could only resume at the planned scale in the fourth quarter of 2024. Consequently, the anticipated cost savings from transitioning cost savings from national roaming, prepayments arising from the migration of existing customer contracts (on a wholesale basis) to the 1&1 mobile network, could only be partially realised in the financial year 2024.

Negotiations with the general contractor responsible for the outage and network under-dimensioning, which are expected to result in compensation payments, are still ongoing at the time of this report. 1&1 continues to expect to receive compensation for the damages incurred.

The number of paid contracts increased by 130,000 contracts in financial year 2024, reaching 16.39 million contracts. However, this fell below the expected growth range of 200,000 to 300,000 contracts. In the mobile internet business, it was possible to acquire 190,000 million customer contracts, raising the number of contracts to 12.44 million. Broadband lines declined by 60,000 to 3.95 million contracts.

Service revenue increased by 1.8 percent to €3,303.1 million (previous year: €3,243.2 million), but remained below the original forecast.

The fact that the forecast for contract growth and service revenue was not met is primarily due to the high number of cancellations resulting from the network outage.

The Group's EBITDA decreased from €653.8 million in the previous year to €590.8 million, also falling below the expectations outlined in the prior year's report.

Due to billing delays, Cash CapEx amounted to €290.6 million (previous year: €295.6 million), which was lower than total CapEx, which stood at €353.4 million. Even the forecast, which had been increased to approximately €460 million over the course of the year, was missed. This was mainly due to delays in network construction, particularly the delayed delivery and provision of key network components.

Forecast course of business – 1&1 AG

At the individual financial statement level, the Management Board expected moderate growth in investment income and a slight increase in annual net income for financial year 2024.

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 €1.9 million (previous year: €1.6 million).

The investment income amounted to €330.2 million (previous year: €411.2 million), consisting of income from profit transfer agreements: €478.4 million (previous year: €411.5 million), and expenses from loss absorption: -€148.2 million (previous year: -€0.3 million). The primary reason for the decline was the increased costs in the 1&1 Mobile Network segment due to the network outage at the end of May 2024, which led to an assumption of losses from Drillisch Online GmbH. Other interest and similar income rose from €57.6 million to €80.4 million because of the rise in interest rates.

The net income amounted to €289.1 million (previous year: €285.0 million).

Segment development

The Group's business activities are divided into the two business segments Access and 1&1 Mobilfunknetz. The Access segment includes paid mobile internet and broadband products, so that all external revenue is attributed to this segment. The 1&1 Mobile Network business segment overs all activities related to the construction and operation of 1&1's own mobile network, and provides the necessary wholesale services to the Access Segment as part of the internal service structure. No external revenue from the sale of network services to third parties was generated in financial year 2024, as in the previous year. In addition to the wholesale services of the "1&1 Mobilfunknetz" segment, the "Access" segment acquires additional wholesale services from its affiliate 1&1 Versatel and from external partners.

The segment reporting is aligned with the internal organisation 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 the Access segment in financial year 2024. Focus of activities was on the marketing of mobile internet contracts.

The number of paid contracts in the Access segment increased by 130,000 contracts to 16.39 million contracts in financial year 2024. In the mobile internet business, it was possible to acquire 190,000 million customer contracts, raising the number of contracts to 12.44 million. Broadband lines declined by 60,000 to 3.95 million contracts.

Development of Access contracts in financial year 2024 (in millions)

	31/12/2024	31/12/2023	Change
Access, total contracts	16.39	16.26	0.13
of which mobile internet	12.44	12.25	0.19
of which broadband lines	3.95	4.01	–0.06

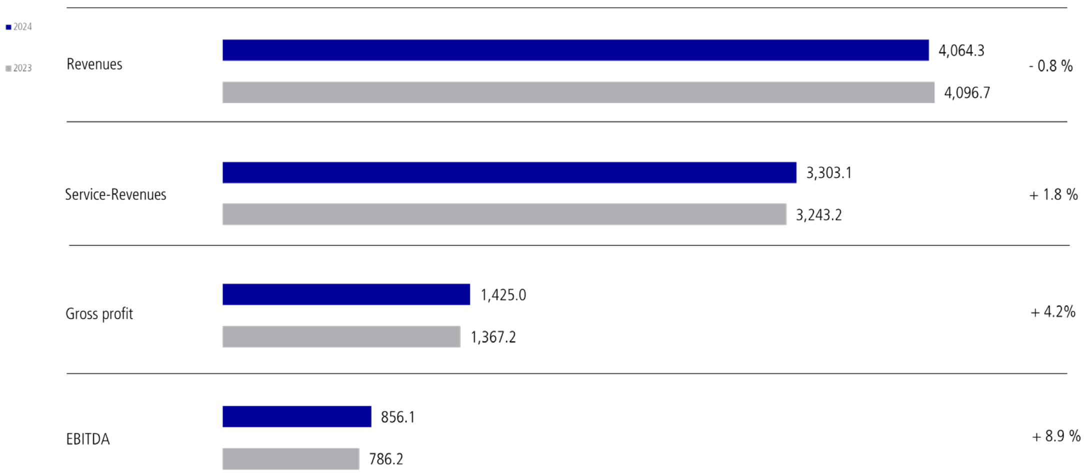
Development of Access contracts in Q4 2024 (in millions)

	31/12/2024	30/09/2024	Change
Access, total contracts	16.39	16.35	0.04
of which mobile internet	12.44	12.38	0.06
of which broadband lines	3.95	3.97	–0.02

Revenues in the Access segment declined by €32.4 million or 0.8 percent to €4,064.3 million (previous year: €4,096.7 million), the high-margin service sales included therein rose by 1.8 percent to €3,303.1 million (previous year: €3,243.2 million). In the Access segment, the cost of materials declined by €90.3 million to €2,639.2 million (previous year: €2,729.5 million). Gross profit in the Access segment increased from €1,367.2 million to €1,425.0 million.

The EBITDA segment is at €856.1 million (previous year: €786.2 million).

Major revenue and profit indicators in the Access segment



1&1 Mobile Network segment

The expenditures and income from the expansion and operation of the 1&1 mobile network are reported in the 1&1 Mobile Network segment. As previously mentioned, financial year 2024 was primarily shaped by customer migration, the temporary mobile network outage, and the launch of the National Roaming partnership with Vodafone.

Since the network launch on 8 December 2023, all new customers have been connected directly to the 1&1 mobile network, and existing customers are being migrated daily. This ongoing migration process has led to continuous cost reductions in the MBA MVNO agreement with Telefónica. As of 31 December 2024, more than 4 million customers were already using the 1&1 mobile network.

In November, the planned expansion of the network with the third and fourth core data centres was successfully completed. The four core data centres that are now in place have the necessary redundancies and ensure reliable stability in the network.

The EBITDA for the 1&1 Mobile Network segment amounted to €–265.3 million (previous year: €–132.4 million) and includes costs for network expansion as well as costs for the launch and operation of the 1&1 mobile network. The intra-Group revenue of €45.6 million results from the preliminary services provided for the Access segment. The recorded expenses were primarily related to the non-capitalizable costs for the network infrastructure, the costs for interconnecting the mobile networks in national roaming, and the operating costs of the 1&1 Mobile Network. They also include the expenses incurred due to the network outage. 1&1 conducted negotiations with the general contractor responsible for the network outage and underdimensioning, aiming to secure compensation payments for the temporary network outage.

2.3 Position of the Group

Financial Performance of the Group (in € million)

	2024	2023
Sales revenue	4,064.3	4,096.7
Cost of sales	–3,022.1	–2,937.7
Gross profit from revenues	**1,042.2**	**1,159.0**
Distribution costs	–535.7	–513.2
Administration costs	–112.2	–115.6
Other operating income / expenses	37.0	31.0
Impairment losses	–121.9	–105.4
Results from operating activities	**309.4**	**455.8**
Financial result	–4.2	9.1
Profit before taxes	**305.2**	**464.9**
Tax expenses	–92.4	–149.9
Group earnings	**212.8**	**315.0**

The 1&1 Group was able to further increase the number of customer contracts and service revenue in a challenging year in 2024. The number of paid customer contracts increased by 0.8 percent to 16.39 million contracts compared to the previous year.

The sustainable and high-margin service revenues, which primarily result from the billing of existing customer relationships, recorded growth of 1.8 percent to €3,303.1 million. The positive development of service revenues results from the ongoing rise in the number of contract customers and the related monthly payments.

In contrast, other revenue, mainly from hardware sales (primarily investments in smartphones, which customers repay over their contractual minimum term through higher package prices), decreased by -10.8 percent to €761.2 million (previous year: €853.5 million). However, this business fluctuates seasonally and its development depends heavily on the attractiveness of new devices and the model cycles of manufacturers. Since other revenues have low margins, these revenue fluctuations have no significant impact on EBITDA development. Total revenues in the financial year 2024 thus showed a slight decline from €4,096.7 million in the previous year by –0.8 percent to €4,064.3 million.

The cost of revenue increased in financial year 2024 by €84.4 million or 2.9 percent to €3,022.1 million (previous year: €2,937.7 million). In the Access Segment, cost of revenue decreased by 3.9 percent to €2,663.1 million (previous year: €2,770.9 million). This decline was primarily due to reduced cost of goods sold, following a decrease in hardware revenue.

The cost of sales in the 1&1 Mobile Network segment reached €404.6 (previous year: €166.8 million) and were primarily related to the expansion and operation of the 1&1 mobile metwork. Included in the cost of revenue were depreciation expenses for network technology and 5G spectrum licenses, totalling €128.7 million (previous year: €46.9 million).

The gross margin was 25.6 percent (previous year: 28.3 percent). As a result of the higher expenses for the expansion and operation of the 1&1 mobile metwork, the gross profit fell from €1,159.0 million by –10.1 percent or €116,8 million to €1,042.2 million.

The distribution costs fully attributed to the Access Segment increased by €22.5 million to €535.7 million (previous year: €513.2 million). The increase was mainly due to higher costs from increased activity at marketing hotlines. As a percentage of total revenue in financial year 2024, distribution costs accounted for 13.2 percent (previous year: 12.5 percent).

Administration expenses liabilities decreased slightly from €115.6 million in the previous year (2.8 percent of revenue) to €112.2 million (2.8 percent of revenue). Administration expenses in the Access segment amounted to €102.1 million (previous year: €102.2 million). The administration expenses in the 1&1 Mobile Network segment amounted to €10.0 million (previous year: €13.5 million).

The other result amounts to €37.0 million (previous: €31.0 million) and consists of other operating income of €40.2 million (previous year: €33.7 million) and other operating expenses of €3.2 million (previous year: €2.7 million). The increase in other income was mainly driven by higher earnings from debt collection processes.

Impairment losses on receivables and contract assets amounted to €121.9 million (previous year: €105.4 million). In relation to sales revenues, the impairment ratio is 3.0 percent (previous year: 2.6percent). The increase was due to a deterioration in customer payment behaviour compared to the previous year.

The EBITDA in financial year 2024 amounted to €590.8 million (previous year: €653.8 million) and was therefore lower than the value for the comparable period of the previous year by 9.6 percent, due mainly to higher expenses for the expansion and operation of the 1&1 mobile network. However, EBITDA in the Access segment increased by 8.9 percent. The EBITDA margin came to 14.5 percent (previous year: 16.0 percent).

Earnings before interest and taxes (EBIT) amounted to €309.4 million in financial year 2024 (previous year: €455.8 million). The EBIT margin came to 7.6 percent (previous year: 11.1 percent). Excluding the effects of PPA depreciation (depreciation on the assets recognised as part of the purchase price allocation in the merger of 1&1 and Drillisch), the EBIT came to €366.5 million and the EBIT margin was 9.0 percent (previous year: €512.9 million or EBIT margin11.3 12.5 percent). The higher expenses for the expansion and operation of the 1&1 mobile network were the primary factors affecting EBIT.

Financing costs in financial year 2024: €20.6 million (previous year: €11.3 million). The increase was mainly due to higher interest expenses from lease accounting. Similar to the previous year, financing costs also included interest-like expenses related to the acquisition of 5G spectrum licences.

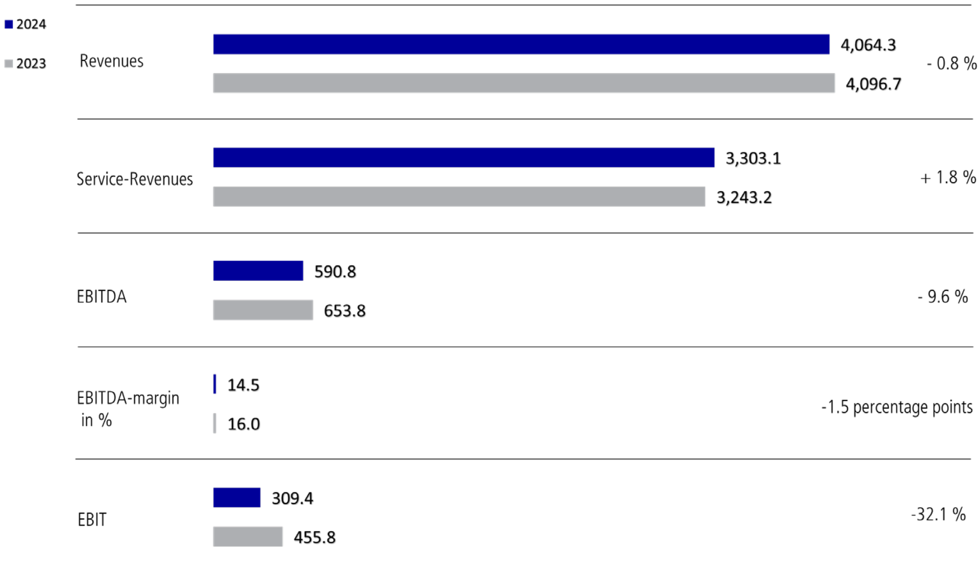
Financial income in financial year 2024: €16.5 million (previous year: €20.4 million) and, as in the previous year, this income primarily resulted from interest earnings on cash investments with United Internet AG. The decline was due to lower free liquidity investments at United Internet AG, reflecting higher investments in the 1&1 mobile network.

Earnings before taxes (EBT) in 2024 amounted to €305.2 million (previous year: €464.9 million). Tax expenses amounted to €92.4 million (previous year: €149.9 million). The tax rate is 30.3 percent (previous year: 32.3 percent).

Consolidated earnings amounted to €212.8 million (previous year: €315.0 million).

Undiluted profit per in financial year 2024 came to €1.21 (previous year: €1.79). Excluding the effects of the PPA depreciation, the basic earnings per share in financial year 2024 amounted to €1.43 (previous year: €2.01).

Major revenue and profit indicators (in €m)



Financial position in the Group

Development of Key Cash Flow Metrics (in € million)

	2024	2023	Change
Cash flow before changes in balance sheet items (sub-total)	494.3	488.8	5.5
Net inflow of funds from operating activities	311.4	225.6	85.8
Net outflow of funds in investment sector	–180.8	–125.2	–55.6
Free cash flow	20.8	–70.1	90.9
Net outflow of funds in financing sector	–129.7	–101.8	–27.9
Cash and cash equivalents as at 31 December	4.1	3.2	0.9

In financial year 2024, net cash inflows from operating activities increased to €311.4 million (previous year €225.6 million). The cash flow before changes in balance sheet items (subtotal in operating cash flow) amounted to€494.3 million, slightly above the previous year's €488.8 million. The cash flow before changes in balance sheet items represents the annual result adjusted primarily for non-cash expenses and income, thus reflecting the sustainable cash flow changes from operating earnings components.

Changes in assets and liabilities in financial year 2024 amounted to -€182.9 million, improving by €80.3 million compared to -€263.2 million in the previous year. This improvement was driven by a positive development in assets and liabilities. The reduced inventory and the sales-related decline in contract assets had a positive effect on net cash provided by operating activities. Conversely, higher cash outflows resulted from increased prepayments on income taxes. In comparison with the previous year, the operating cash flow was burdened by the advance payments for the FTTH/VDSL allotment agreement that has been in effect since April 2021.

Net payments in the investing area amounted to -€180.8 million (previous year: -€125.2 million). The investments included in this in intangible assets and tangible assets, mainly for the expansion of the 1&1 mobile network, amounted to €291.0 million (previous year: €295.7 million). €62.7 million in invoices for received network components were not yet issued and are expected in financial year 2025. As part of short-term cash management, a repayment of short-term investments amounted to €91.0 million (previous year: €155.0 million). These payments relate to the short-term investment of free cash with United Internet AG. Interest income from these investments amounted to €19.1 million (previous year: €15.7 million).

Free cash flow for financial year 2024, 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 €20.8 million (previous year: €–70.1 million).

As in the previous year, the net cash outflows from financing activities of €61.3 million resulted from the repayment of liabilities related to the acquisition of the 5G frequencies. In connection with the expansion of underserved areas, which 1&1 is undertaking in return for the deferral of the purchase price payment for the frequencies, payments with interest-like characteristics amounting to €45.5 million were incurred. In addition, there were payments in the financial year related to the dividend disbursement and the repayment of liabilities from finance leases.

The cash and cash equivalents as of 31 December 2024 amounted to €4.1 million (31 December 2023: €3.2 million).

Assets and liabilities in the Group

Development of assets, liabilities and equity (in million euros)

	2024	2023	Change
Short-term assets	1,844.1	1,927.8	–83.7
Long-term assets	6,286.0	5,812.5	473.5
Total assets	**8,130.1**	**7,740.3**	**389.8**
Short-term liabilities	730.6	716.6	14.0
Long-term liabilities	1,305.5	1,136.6	168.9
Shareholders' equity	6,094.0	5,887.1	206.9
Balance sheet total	**8,130.1**	**7,740.3**	**389.8**

The balance sheet total increased from €7,740.3 million as of 31 December 2023 to €8,130.1 million as of 31 December 2024. On the asset side, the increase was €473.5 million in long-term assets, while short-term assets declined by €-83.7 million.

At €4.1 million, cash and cash equivalents are €0.9 million above the previous year's level of €3.2 million. Trade receivables increased by 2.0 percent over the previous year to €340.2 million due to sales.

Receivables from related companies decreased by €107.0 million to €327.3 million. This development is primarily due to the investment of free liquidity at United Internet AG, which declined by €91.0 million from €410.0 million to €319.0 million as of 31 December 2024.

At €119.6 million, inventories are lower than the level of the previous year (31 December 2023: €178.0 million), The reason for this was the planned reduction in inventory levels.

Short-term contract assets primarily include receivables from hardware sales and decreased by €46.1 million compared to the end of the year. The decline mainly stems from reduced hardware revenue. Short-term prepaid expenses rose from €250.6 million to €321.0 million and relate essentially to contract costs and prepaid utilisation fees that will not be recognised through expenditures until later periods.

At €48.1 million, other financial assets stand above the previous year's level of €42.6 million. Income tax claims from taxes on income and earnings amount to €54.4 million due to overestimated advance payments, compared to €9.7 million in the previous year. Other non-financial assets fell by €0.4 million compared to the previous year.

Long-term assets increased by €473.5 million to €6,286.0 million. The increase in tangible assets of €461.6 million results in particular from the investments made in the 1&1 mobile network. The reduction in intangible assets by €122.8 million compared to the previous year is primarily due to scheduled amortisation of the assets identified as part of the purchase price allocation during the merger of 1&1 and Drillisch in 2017, as well as the frequencies. Goodwill remains unchanged from the previous year at €2,932.9 million. Long-term contract assets declined by €18.6 million.

Long-term prepaid expenses increased from €609.3 million as at 31 December 2023 to €762.4 million as at 31 December 2024 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 total assets is attributable to €206.9 million in equity as well as €182.9 million in debt. Current liabilities have increased from €716.6 million in the previous year to €730.6 million and long-term debts increased from €1,136.6 million to €1,305.5 million.

Trade payables increased by €277.1 million to €349.5 million, primarily due to delayed invoicing of preliminary services. Liabilities to related parties concern companies within the United Internet Group and amount to €163.3 million (31/12/2023: €165.5 million). These mainly include liabilities to 1&1 Versatel GmbH due to preliminary services for the operation of the 1&1 mobile network, as well as VAT liabilities arising from the VAT group with United Internet AG.

Contract liabilities in the amount of €55.1 million (31/12/2023: €51.6 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 decreased by €2.5 million and, as in the previous year, primarily relate to risks for ongoing legal disputes and the extended expansion obligations for underserved areas in connection with the deferral of the frequency purchase price obligation.

The current other financial liabilities amount to €109.2 million (31/12/2023: €113.1 million). In contrast, current other non-financial liabilities rose by €1.9 million to €25.5 million as of 31 December 2024. Liabilities from salaries and personnel amounting to €14.4 million are reported for the first time under other current non-financial liabilities. In the previous year, liabilities amounting to €14.7 million were reported under other current financial liabilities. To ensure better comparability, the previous year's figures have been adjusted.

The long-term contract liabilities in the amount of €9.1 million (31/12/2023: €11.1 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 €160.5 million to €1,036.2 million. While the frequency liabilities included in other long-term financial liabilities fell by €61.3 million, lease obligations for the rental of antenna sites for the 1&1 mobile network increased by €222.2 million. Long-term other provisions increased from €42.0 million to €59.5 million due to growing dismantling obligations for antenna sites as part of the expansion of the 1&1 mobile network.

Deferred tax liabilities fell by €7.1 million from €207.8 million as at 31 December 2023 to €200.7 million as at 31 December 2024.

Group equity rose from €5,887.1 million as at 31 December 2023 to €6,094.0 million as at 31 December 2024. Following the disbursement of dividends of €8.8 million, the increase in equity of €207.0 million results in particular from the consolidated profit of €212.8 million.

The equity ratio declined slightly from 76.1 percent in the previous year to 75.0 percent as at 31 December 2024.

The subscribed capital is distributed in 176,764,649 no-par shares issued to the bearer with a proportionate share in the share capital of €1.10. As at the balance sheet date, 1&1 AG holds 465,000 shares in treasury stock (31/12/2023: 465,000), and the issued share capital of 1&1 AG amounts to €193.9 million.

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

Financial year 2024 marked the first full year for 1&1 as a mobile network operator. The Management Board looks back with pride on 2024 and 1&1's achievements, despite temporary setbacks.

Following the successful network launch in late 2023, the mobile network initially operated smoothly, and the migration of existing customers to 1&1's own network started successfully. The National Roaming Agreement with Vodafone provided the foundation for excellent network coverage and quality in areas where 1&1 lacks its own infrastructure.

However, challenges arose due to the network outage in late May 2024, and the under-dimensioning of certain components exposed the complexities of this ambitious project. The significant increase in contract terminations immediately after the outage, damage control measures, and the necessary delay in customer migration impacted the financial results. Once the issues were resolved and capacity expansions were implemented, the customer migration resumed, leading the Management Board to expect stable network operations moving forward.

In an increasingly competitive environment and despite the increased contract terminations in connection with the network outage, 1&1 was able to further expand its contract base and operational KPIs. New marketing strategies were successfully introduced and will continue to drive future growth. The Management Board is therefore satisfied with the operational business performance.

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 2024 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.

2.4 Position of the Company

Financial Performance of 1&1 AG (in € million)

	2024	2023
Sales revenue	1.9	1.6
Other operating income	0.4	0.1
Personnel expenses	–3.9	–1.3
Depreciation	–0.2	–0.1
Other operating expenses	–12.4	–12.9
Income from profit transfer agreements	478.4	411.5
Expenses from loss transfers	–148.2	–0.3
Other interest and similar income	80.4	57.5
Interest and similar expenses	–7.9	–5.3
Profit before taxes	**388.5**	**450.8**
Taxes	–99.4	–165.8
Net profit for the year	**289.1**	**285.0**

At the level of the annual financial statements of 1&1 AG prepared in accordance with commercial law principles, sales revenues rose to €1.9 million (previous year: €1.6 million). The sales revenues result primarily from intra-Group services. Cash and cash equivalents amount to €0.4 million subsequent to €0.1 million in the previous year.

Personnel expenses amounted to €3.9 million (previous year: €1.3 million). The change is primarily due to the SAR agreements issued in the previous year. Other operating expenses remained stable at €12.4 million (previous year: €12.9 million).

Income from profit transfer agreements totalled €478.4 million, increasing by €66.9 million compared to the previous year (€411.5 million), which relates exclusively to the profit transfer from 1&1 Telecommunication SE. Expenses from loss absorption amounted to -€148.2 million (previous year: -€0.3 million). The increase is due to higher costs associated with the ongoing expansion of the 1&1 mobile network, which is covered by 1&1 AG under the profit transfer agreements.

Interest income amounted to €80.4 million (previous year: €57.5 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 mainly due to higher intra-year receivables from subsidiaries, particularly 1&1 Mobilfunk GmbH.

Interest expenses rose to €7.9 million (previous year: €5.3 million) and include interest expenses within the framework of Group-wide cash management. The increase is primarily due to higher intra-year liabilities to the subsidiary Drillisch Online GmbH.

After taxes on income and profit amounting to €99.4 million (previous year: €165.8 million), the net profit amounts to €289.1 million (previous year: €285.0 million). The significantly reduced tax rate of 25.6 percent (previous year: 36.8 percent) is primarily due to the different tax treatment of sold hardware within bundle contracts.

Assets and liabilities and financial position of 1&1 AG

The balance sheet total for 1&1 AG rose by €511.2 million to €7,481.5 million in financial year 2024 (31/12/2023: €6,970.3 million). Fixed assets, which consist almost entirely of shares in affiliated companies, are at the same level as the previous year at €5,161.5million (31/12/2023: €5,160.0 million).

Current assets rose by €509.7million to €2,319.0 million (31/12/2023: €1,809.3 million). The increase is primarily due to a rise in receivables from affiliated companies, amounting to €2,260.9 million (31/12/2023: €1,796.6 million) and an increase in other assets to €56.3 million (31/12/2023: €11.4 million). Receivables from affiliated companies mainly include short-term investments of free liquid funds with United Internet AG, totalling €319.0 million (31/12/2023: €410.0 million) as well as receivables from companies within the 1&1 Group, amounting to €1,938.4 million (31/12/2023: €1,380.3 million). The decline in free liquidity at United Internet AG, despite a consistently high cash inflow from operating activities, is mainly due to advance payments under the contingent contract with Deutsche Telekom as well as network construction costs. The increase in receivables from companies within the 1&1 Group mainly relates to receivables from the profit and loss transfer agreement with 1&1 Telecommunication SE due to the increased annual result, as well as cash pool receivables from 1&1 Mobilfunk GmbH as a result of ongoing investments in the 1&1 mobile network. The increase in other assets is mainly attributable to higher income tax receivables, resulting from substantial tax prepayments.

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. In January 2025, 1&1 and United Internet also entered into a loan agreement that allows the external financing obtained by United Internet to be passed on to 1&1. The contract amounts to €800 million.

Cash amounts to €1.9 million following €1.2 million in the previous year.

Equity increased to €7,012.6 million (31/12/2023: €6,732.4 million). The change results from the profit for the year of €289.1 million and the disbursement of dividends in the amount of €8.8 million. An equity ratio of 93.7 percent (31/12/2023: 96.6 percent) means that almost all assets continue to be financed by equity.

Tax provisions amount to €11.5 million per 31 December 2024 due to adjusted advance payments (31/12/2023: €64.3 million). Other provisions amounted to €5.0 million (31/12/2023: €1.6 million), exceeding the previous year's level due to higher provisions for personnel costs.

The increase in liabilities from €172.0 million in the previous year to €452.5 million relates largely to a rise of €288.5 million in liabilities to affiliated companies. As in the previous year, these mainly relate to liabilities with Drillisch Online GmbH. In addition to the cash pool liabilities amounting to €268.2 million (31 December 2023: €212.4 million), there is also an obligation as of the reporting date arising from the assumption of losses incurred by Drillisch Online GmbH due to its existing obligation to offset the losses of 1&1 Mobilfunk GmbH.

At the same time, trade payables decreased by €8.1 million as of the reporting date. Other liabilities, primarily including payroll and church tax payables, remained at the previous year's level.

As in the previous year, an excess of deferred tax assets arose in financial year 2024 but was not recognised, in accordance with section 274 (1) sentence 2 HGB.

General statement regarding the Company's economic position

The Management Board of 1&1 AG views the operational business development of the Group as positive. This is also reflected in the investment result in the statutory annual financial statements of 1&1 AG, although this has been reduced overall due to increased start-up costs in the 1&1 mobile network. Nevertheless, the Management Board is also satisfied with the progress in the expansion and operation of the 1&1 mobile network, as well as the initiated migration of existing customers. However, the temporary outage of the 1&1 mobile network during the year presented unexpected challenges that negatively impacted the results of 1&1 AG.

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 2024 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 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 2024 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 2024.

Management Board and Supervisory Board will discuss this dividend proposal in the Supervisory Board meeting on 25 March 2025. The Annual General Meeting of 1&1 AG will adopt a decision about the motion proposed jointly by Management Board and Supervisory Board on 14 May 2025.

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. Additionally, 1&1 has access to external financing of up to €800 million through United Internet.

In order to carry out the expansion of the 1&1 mobile network with minimal reliance on 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 2024 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 statement (NFS) 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 2025 (at https://www.1und1.ag/the-company#nachhaltigkeit) and provides both the disclosures required by the CSR-RUG and other transparency requirements of stakeholders. For the 2024 financial year, 1&1 AG has based its structure and presentation of information on the European Sustainability Reporting Standards (ESRS) of the Corporate Sustainability Reporting Directive (CSRD). The NFS published in a separate report contains the legally required and additional information on the business model and the aspects that are essential for 1&1: environmental, employee and social issues, respect for human rights and anti-corruption and anti-bribery measures. In addition to these CSR-RUG minimum requirements, the report also provides company-specific insights into the overarching themes of "Securing digital participation" and "Customer and product experience". These are material topics for 1&1 and must be reported. The double materiality principle was applied when determining the content of the non-financial report. Both the CSR-RUG and the CSRD expect a presentation of how the key issues and their impacts are managed, in particular the associated concepts, goals and measures. 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 Supervisory Board of the Company is responsible for reviewing the content of the sustainability reporting.

3. Supplementary Report

In January 2025, 1&1 and United Internet entered into a loan agreement that allows the external financing concluded by United Internet to be passed on to 1&1. The contract is worth 800 million euros. In view of upcoming investments, 1&1 drew down 290 million euros of this amount in February 2025.

On 24 March 2025, the Federal Network Agency announced its decision on the provision of low- and mid-band frequencies available from January 2026. The decision is largely based on the consultation draft published in May 2024 and provides for an extension of existing frequency usage rights for Deutsche Telekom, Vodafone and Telefónica. The extension is linked to the obligation that Deutsche Telekom, Vodafone and Telefónica provide 1&1 with part of the low-band spectrum available to them for shared use. To achieve this, the agency is requiring the established network operators to negotiate fairly with 1&1. If 1&1 is not granted permission to use low-band frequencies by 1 January 2026, the Federal Network Agency reserves the right to order this.

4. Risks, Opportunities and Forecast Report

4.1 Risk report

The risk and opportunity policy of the 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.

Risk management

The risk management system is an integral component of corporate policy aimed at early detection and justifiable 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, for example, 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 adhoc 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, United Internet AG's 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.

[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.

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. The bookkeeping systems from the manufacturer SAP are used for the posting of accounting items in 1&1 Group, while the consolidation software IDL from the provider insightsoftware is used at Group level.

To ensure consistent and proper Group financial reporting, the process is supported by supplementary procedural guidelines, e.g. the accounting policy, standardised reporting formats, IT systems, and IT-supported reporting and consolidation processes. The Group Accounting Department ensures that these requirements are uniformly applied across the entire Group. The punctual and proper execution of accounting-related processes and systems within Group companies is further 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.

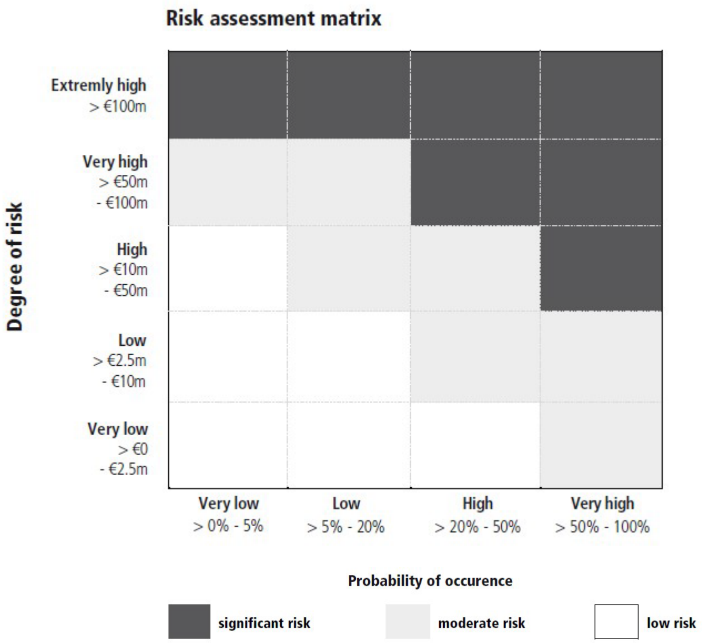
Summarised assessment of the internal control and risk management system:

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] In financial year 2024, the risk management system underwent an audit in accordance with IDW PS 981 by an independent auditing firm. The auditors concluded that the risk management system implemented at 1&1 is appropriate and effective.

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.



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.

The previously reported risk categories have been revised to improve clarity. Going forward, risks will be categorised into three overarching categories: "Strategic Market & Business Risks", "Operational Risks", and "Financial & Tax Risks". All risks for the financial years 2023 and 2024 have been reassigned to the new categories to ensure comparability with the previous year.

The following subcategories were renamed in the process:

- “Cooperation & Outsourcing” to “Partner Management”
- “Personnel Development & Retention” to “Employees”
- ”Recruitment Market' to “Employees”
- “Legislation & Regulation” to “Regulatory Environment”
- “Fraud & bad debt” in “Fraud & bad debt”
- “Financing” in “Financial and liquidity risks”
- ”Liquidity” in “Financial and liquidity risks”
- “Interest” in “Financial and liquidity risks”

Risks in the previous subcategories

- ”Organisational structure and decision-making”
- “Workflows and processes”
- “Capacity bottlenecks”
- ”Projects”
- “Misconduct and irregularities”

were transferred to the new categories and the previous categories were then dissolved accordingly.

Risks in the area of "Strategic Market & Business Risks"

Sales market & 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. New competitors entering the market or changing customer demands could put market share, growth targets, or profit margins at risk.

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

Delays or gaps in the procurement of essential resources for business operations may lead to bottlenecks or operational disruptions at 1&1. This includes hardware and software procurement as well as third-party services. Changes in pricing structures or billing models could negatively impact margins and earnings.

The operation of the 1&1 mobile network requires increased electricity consumption, which is expected to rise further as network expansion continues. Rising energy prices as a result of political measures or for ecological reasons can have a negative impact on added value.

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.

Participations & investments

The acquisition and holding of participating interests and other 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 and 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 & innovation

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 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 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 were delays in the construction of antenna locations, especially at the beginning of network construction. The delays were due to delivery problems of subcontractors. Delays in network construction can force the procurement of more wholesale services and products than planned until the mobile network is fully built, which would have a negative impact on added value. Wanting to counter these risks adequately, 1&1 has entered into further partnerships for the acquisition of antenna sites as and for its own construction of antenna sites.

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

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.

Regulatory Environment

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. Due to missed expansion targets at the end of 2022, the Federal Network Agency (Bundesnetzagentur) threatened to impose a fine on 1&1. However, following a ruling by the Administrative Court of Cologne, which deemed the frequency allocation process unlawful, the Federal Network Agency announced that the fine proceedings would be suspended until further notice.

In addition, 1&1 is required to meet household coverage targets of 25 percent by the end of 2025 and 50 percent by the end of 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. By the end of 2025, usage rights for the 800 MHz, 1,800 MHz, and 2,600 MHz frequency bands will expire. These frequencies are currently used by the three established mobile network operators. There is a risk that 1&1 may not receive sufficient allocation in the reallocation process. 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 strong indoor reception. 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 regulation risk, which has a tendency to rise, through its collaboration with multiple advance services partners and proactive association work. Moreover, 1&1 has access to the landline network via 1&1 Versatel GmbH, an affiliated company in the United Internet Group. This access to the network infrastructure gives 1&1 the opportunity to extend the depth of its added-value generation and to reduce the procurement of broadband advance services from third parties.

Risks in the area of "Operational Risks"

Fraud & Credit Default

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.

Cyber and information security

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. In addition to availability risks, threats to confidentiality and data integrity also pose significant challenges. Cyberattacks, such as hacking attempts aimed at spying on customer data, deleting information, or fraudulently using services, are major concerns.

Information security is a core part of 1&1's corporate culture. To mitigate these risks, 1&1 continuously improves its monitoring and alerting system including the necessary processes and documentation. 1&1 also counters this risk by using virus scanners, firewall strategies, tests it has initiated itself and various technical control mechanisms.

Internet-based threats remain a major risk for 1&1, but a combination of technical and organisational measures helps manage these risks effectively. 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.

Privacy

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.

1&1 is aware of this 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 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.

Employees

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, 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 also have a significant impact on the Company’s ability to perform.

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. 1&1 mitigates these risks by implementing clear rules of representation, and continuously developing employee and leadership competencies. 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.

Partner Management

1&1 collaborates with strategic partners through cooperation and outsourcing agreements. 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.

The risk classification has increased from low to moderate compared to 31 December 2023. This is due to the fact that the involvement of partners in the expansion of the company's own high-performance mobile network is a key success factor. Products and services from around 100 partners are already being used. Increased challenges in cost management were the reason for a corresponding change in risk assessment.

Legal disputes

1&1 is currently involved in various litigation and arbitration proceedings that result from its normal business activities. In 2019, one advance services provider filed claims in the low three-digit million range (the Company’s internal classification defines amounts up to €333 million as a low three-digit million amount; even the total of the filed claims does not exceed this amount). 1&1 regards the claims from each of the opposing parties to be largely unfounded and does not consider an outflow of resources to be likely. However, 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 have been given due consideration in the provisions.

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 (mobile phone towers, data centres, customer management databases, statistical 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 different possibilities of disruptions or service failures. If, for instance, service systems were affected, 1&1 could temporarily no longer be able to provide the promised service to its customers.

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.

At the end of May 2024, 1&1 was confronted with a temporary disruption to its mobile network. During the troubleshooting work, it became clear that central components in the core network were not sufficiently scaled. As a result, 1&1 has scaled back the migration of existing customers to the 1&1 mobile network as a precautionary measure. Immediate action was taken and missing components for future growth were retrofitted in the first two core data centres in summer 2024. At the same time, the provision of two additional core data centres was delayed and did not go live until the fourth quarter of 2024. It was only then that the migration of existing customer contracts to the 1&1 mobile network could be fully resumed.

The root causes of the disruption were eliminated, and major outages have been prevented since. However, given the high technical complexity of building the mobile network, future disruptions cannot be entirely ruled out.

Compared to 31 December 2023, there has been an increase from moderate to significant. This increase is due to the ongoing expansion and use of our own high-performance mobile communications network and the effects of the temporary disruption of the mobile communications network at the end of May.

Risk in the area of "Financial & Tax Risks"

Financial & liquidity risks

In the area of financial risks, interest rate risk remains a key concern, as financial resources are primarily borrowed and invested with United Internet AG at variable interest rates (1M EURIBOR + margin). 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.

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.

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

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. 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.

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.

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.

The risk classification has increased from moderate to significant compared to 31 December 2023. One of the reasons for this increase is a different interpretation of VAT law by the tax audit for the invoicing established in the past for early termination of contracts.

Additional information on risks, financial instruments and financial risk management

Additional information on risks, financial instruments and financial risk management can be found in 'Objectives and methods of financial risk management (note 43)'.

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 challenges for 1&1 AG and the 1&1 Group are the risk areas "legal disputes", "regulatory environment", "tax risks" and "technical operations".

- 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 'Partner management' has increased from low to moderate compared to 31 December 2023. The background to this is that the involvement of partners in the expansion of the company's own high-performance mobile network is a key success factor. Products and services from around 100 partners are already being used. Increased challenges in cost management were the reason for a corresponding change in risk assessment.

- Compared to 31 December 2023, there has been an increase in the risk area "Technical operations" from Moderate to Significant. The reason for this increase is the ongoing expansion and use of the Company's own high-performance mobile network as well as the effects of the temporary disruption of the mobile network at the end of May.

- The risk area "Tax risks" has increased from Moderate to Significant compared to 31 December 2023. One of the reasons for this increase is a different VAT interpretation by the tax auditor for the invoicing established in the past in the event of early contract termination.

- Otherwise, the risk classifications of 1&1 AG's risk areas remained unchanged as of 31 December 2024 compared to 31 December 2023.

The assessment of the major risk fields or specific risk positions were, as is natural, subject to fluctuations during financial year 2024 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 increased compared to the previous year, partly due to rises in the risk categories of "Partner management", "Technical operations", and "Tax risks".

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 2024 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 relecance	**Probability of occurrencet**	**Degree of risk**	**Risk classification**	**Development in comparison with previous year**
Risks in the area of "Strategic market and business risks"					
Sales market & competition	Access	Very low	Very low	Low	→
Procurement market	Access	Very low	Very low	Low	→
Participations & investments	Access	Very low	Very low	Low	→
Budiness development & innovation	Access	Very low	Very low	Low	→
Force majeure	Access	Very low	Very low	Low	→
Regulatory Environment	1&1 Mobile Network	Low	Extremly high	Significant	→
Risks in the area „Operational Risks"					
Fraud and Credit Default	Access	Very low	Very low	Low	→
Cyber- & information security	Access	High	Low	Moderate	→
Privacy	Access	Low	High	Moderate	→
Employees	Access	Very low	Very low	Low	→
Partner Management	1&1 Mobile Network	High	Low	Moderate	↗
Legal disputes	Access	Low	Extremly high	Significant	→
Technical system operation	1&1 Mobile Network	Low	Extremly high	Significant	↗
Risks in the area of "Financial & Tax Risks"					
Financial & liquidity risks	Access	Very low	Very low	Low	→
Tax risks	Access	Very high	High	Significant	↗

↘ Improved → Unchanged ↗ Worsened

Society, politics, and the economy are currently facing complex macroeconomic challenges arising from a combination of geopolitical and geoeconomic tensions.

In addition to the destabilising effects of the wars in Ukraine and in the Middle East, the political changes brought about by the new US administration is further contributing to increased uncertainty regarding the economic future. The Management Board of the 1&1 Group is responding by actively addressing these current challenges and incorporating them into its business decisions, particularly by developing risk mitigation strategies, such as diversified procurement strategies to ensure a secure and fair energy supply.

Added to this are geoeconomic uncertainties due to increasing protectionism. This can, in addition to a decline in international cooperation, also mean the strict introduction of tariffs and, consequently, rising prices for raw materials and goods.

Although the 1&1 Group is not active in the countries involved in these wars, it is still confronted with the indirect effects. Against the backdrop of the uncertain security situation caused by the war in the Middle East and the war in Ukraine, particularly concerning access to and passage through the Suez Canal, and the potential indirect effects on global business operations, 1&1 has developed proactive risk management and mitigation strategies:

- **Cybersecurity Risks:** In light of the heightened cybersecurity threats associated with the wars in the Middle East and Ukraine, the Company is intensifying its investments in cybersecurity measures. These include the implementation of advanced monitoring techniques, regular security audits, and employee training to strengthen defences against cyberattacks.

- **Hardware Shortages:** To address potential hardware shortages caused by the uncertain security situation around access to and passage through the Suez Canal, exacerbated by the war in the Middle East, the Company is adjusting its logistics and procurement strategies. This includes increasing hardware stockpiles to cushion potential supply disruptions.

- **Price Increases:** Particularly in light of the planned investments for expanding its own high-performance mobile network, rising energy prices or increasing hardware costs pose a risk. 1&1 mitigates these risks by strengthening its hardware stockpile, promoting partnerships, and establishing long-term commitments with its service providers.

The Management Board and operations managers will continue to closely monitor developments and, if feasible, implement appropriate countermeasures.

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. The opportunities outlined below generally apply to both reporting segments of the 1&1 Group.

Broad strategic positioning on growth markets

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

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 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 16.39 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 Europe's first fully virtualised mobile network in Germany based on the innovative Open RAN technology. By leveraging this novel and cutting-edge Open RAN technology, 1&1 aims to differentiate itself from the competition in the future and fully exploit 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 12.4 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 networks 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. Additionally, in the construction of the 1&1 mobile network, antenna sites will be connected to the existing fibre-optic network of 1&1 Versatel GmbH.

According to a study by Dialog Consult / VATM, demand for 1 Gbit/s connection bandwidth has again increased significantly 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 December 8, 2023 had a major 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, the focus is now, following the successful launch, primarily on risks from ongoing operations, especially 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 17 January 2025, the International Monetary Fund (IMF) updated its forecasts for the development of global economies in 2025 and 2026. Looking at the global economy as a whole, the IMF forecast is more optimistic than before. Globally, the fund expects economic growth of 3.3 percent in 2025, which is 0.1 percentage points higher than in its autumn forecast. A growth rate of 3.3 percent is also expected for 2026.

The IMF cites geopolitical conflicts, such as those in Ukraine and the Middle East, as well as political uncertainty due to Donald Trump's return to the U.S. presidency, as risks to its forecast. So far, the IMF has not factored Trump's policy proposals into its forecasts.

For Germany, the IMF expects growth of 0.3 percent after two years of recession. This represents a downward revision of 0.5 percentage points from the IMF's previous estimate (autumn forecast). As a result, the IMF once again expects Germany to have the weakest growth among the leading Western G7 industrial nations this year. The reasons cited are industrial weakness and high energy prices, which are slowing economic recovery.

Industry/market expectations

Despite the challenges posed by difficult economic conditions, Germany's digital economy is expected to continue its growth trajectory. The digital association Bitkom forecasts a 4.6 percent increase in revenue for the German IT and telecommunications (ICT) market in 2025, reaching €232.8 billion. In the previous year, ICT revenues had grown by 3.3 percent to €222.6 billion.

Information technology remains the most important growth driver. According to Bitkom's latest forecast, this market is expected to grow by 5.9 percent in 2025 (previous year: 4.4 percent) to €158.5 billion.

Within this, the software segment is set for strong growth, increasing by 9.8 percent to €51.1 billion. One standout trend is the ongoing boom in artificial intelligence (AI): The market for AI platforms, where AI applications are developed, trained, and operated, is expected to surge by 43 percent to €2.3 billion. Collaboration tools for teamwork and remote work in businesses are also expected to see strong growth, rising by 12 percent to €1.4 billion. Security software is projected to grow by 11 percent to €5.1 billion. Double-digit growth rates are also expected in cloud services, which are forecast to grow by 17 percent to €20.0 billion.

The IT hardware market is expected to see growth across almost all segments. For 2025, the hardware market is projected to grow by 3.3 percent to €53.7 billion. The largest growth driver is expected to be Infrastructure-as-a-Service (IaaS), rented servers, networking, and storage capacity, growing by 24.4 percent to €6.2 billion.

According to Bitkom, revenues from IT services overall are expected to rise by 5.0 percent in 2025 to €53.8 billion.

From the perspective of 1&1's business model, the most important ICT market is the German telecommunications market (broadband connections and mobile internet), which operates largely on a subscription-based Access business model.

Telecommunications market in Germany

For the German telecommunications market, Bitkom forecasts overall growth of 1.8 percent in 2025 (previous year: 1.0 percent), reaching €74.3 billion.

The highest growth is expected in telecommunications infrastructure, which is set to grow by 3.5 percent (previous year: -4.8 percent) to €8.0 billion. Revenues from devices are expected to rise by 2.7 percent (previous year: 1.6 percent) to €12.8 billion. The telecommunications services segment is also projected to grow by 1.4 percent (previous year: 1.8 percent) to €53.5 billion.

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

	2025	2024	Change
Revenues	74.3	73.0	+ 1.8 %

Source: Bitkom, January 2025

Forecast for financial year 2025

For 2025, the Management Board expects a stable contract portfolio and service revenues at the prior-year level (2024: €3,303.1 million) due to a continued slight increase in terminations in connection with the migration of all mobile customers to the new 1&1 network, which will continue until the end of the year.

EBITDA is expected to decrease by approx. 3.4 percent to approx. €571 million (2024: €590.8 million).

This decline is based on lower EBITDA in the Access operating segment, which is expected to amount to around €836 million (2024: €856.1 million). The decline in EBITDA results from the expiration of the national roaming agreement with Telefónica, which provides for one-time payments every five years that are capitalised and amortised. The national roaming agreement with Vodafone, which is commercially equivalent for 1&1, does not provide for such one-time payments. The use of the Vodafone network is recognised in the cost of sales in EBITDA. In this respect, the switch to Vodafone does not result in any change in EBIT – the negative impact on EBITDA is offset by the same amount of relief on depreciation and amortisation.

The Management Board expects EBITDA in the 1&1 Mobile Network segment to remain unchanged year on year at around €-265 million (2024: €-265.3 million). This includes expenses of around €-100 million for customer migration and for network advance services, which will no longer be required after the complete migration of all customers from 2026.

The investment volume (cash capex) is expected to amount to approximately €450 million (2024: €290.6 million).

At the level of the individual financial statements, the Management Board expects a slightly lower investment result (result from income and expenses from profit transfer agreements) and net profit for 2024.

General statement from the Management Board on presumable development

The Management Board considers 1&1 well-positioned for the next steps in the Company's development and looks to the future with optimism.

In financial year 2025, the focus will remain on migrating existing customers. At the end of 2025, the partnership with Telefónica will conclude, and all mobile customers will transition as planned to the 1&1 mobile network, using national roaming via Vodafone for calls and internet access. As network expansion progresses, 1&1 will increasingly reduce its reliance on external service providers, leading to cost savings on upstream services. This enhanced value creation will serve as the foundation for the Company's continued economic success.

With 16.39 million customer contracts, 1&1 is currently in an excellent position within the German telecommunications market. Operating its own network opens up opportunities for customised products to place even greater focus on customer needs.

Thanks to a business model that is based for the most part on electronic subscriptions, 1&1 views its position as by and large stable and secure from economic fluctuations. 1&1 will continue to pursue this sustainable business policy in the coming years. In view of the successful start to the year and of the situation at the time of the issue of this report as well, the Management Board believes that the Company is well on its way to realising the goals explained in greater detail in the above section "Forecast for financial year 2025".

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 2024, 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) sentence 1 of 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) sentence 4 of 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) sentence 4 of 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) sentence 4 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 financial year in which they are issued; to the extent legally permissible, the Management Board, subject to the Supervisory Board’s consent, may also determine the participation in profits for a previously expired financial year for new shares in abrogation of this provision and of section 60(2) AktG. The Management Board is authorised, subject to the consent of the Supervisory Board, to determine the details of the conduct of the contingent capital increase.

Treasury Stock

As at 31 December 2024, 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) sentence 4 of 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) sentence 4 of 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 remuneration 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 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 2024.

As of the closing date 31 December 2024, United Internet AG, Montabaur, Germany, held 78.32 percent of the stock in 1&1 AG. Per 31 December 2024, 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.

Additionally, reference is made to the financial statements of 1&1 AG as of 31 December 2024.

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 22 of the annual report. The annual report is published on the Company's website at https://www.1und1.ag/investor-relations-en#meldungen-berichte-praesentationen.

5.3 Non-financial Group statement pursuant to section 315c in conjunction with section 289c HGB

The Company's declaration pursuant to section 315b in conjunction with sections 315c and 289c HGB is published within the statutory deadlines on the 1&1 AG website at: https://www.1und1.ag/the-company#nachhaltigkeit.

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

The remuneration system and the disclosure of the remuneration of Management Board and Supervisory Board members for financial year 2024 pursuant to section 162 AktG can be found in the "Remuneration Report 2024", which is published on the 1&1 AG website at https://www.1und1.ag/corporate-governance-en#verguetungs-bericht.

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

6. Dependency Report

Pursuant to section 312 AktG, the Management Board declares that the Company did not carry out any legal transactions with the controlling company or one of its affiliated companies in the financial year, nor at the behest or in the interest of these companies. Furthermore, no measures were taken or omitted at the behest or in the interest of these companies.

Montabaur, 25 March 2025

Ralph Dommermuth | Sascha D'Avis | Alessandro Nava

The Management Board

Consolidated Annual Financial Statements

Consolidated Comprehensive Income Statement

from 1 January to 31 December 2024

	Remarks	2024 January - December k€	2023 January - December k€
Sales	4	4,064,254	4,096,701
Cost of sales	5,11,12	–3,022,067	–2,937,655
GROSS PROFIT FROM REVENUES		**1,042,187**	**1,159,046**
Distribution costs	6,11,12	–535,715	–513,235
Administration costs	7,11,12	–112,185	–115,643
Other operating income	9	40,155	33,663
Other operating expenses	8	–3,200	–2,628
Impairment losses from receivables and contract assets	10	–121,860	–105,385
RESULTS FROM OPERATING ACTIVITIES		**309,382**	**455,818**
Financing expenses	13	–20,646	–11,303
Financial income	14	16,460	20,368
PROFIT BEFORE TAXES		**305,196**	**464,883**
Tax expenses	15	–92,432	–149,933
CONSOLIDATED PROFIT		**212,764**	**314,950**
Profit per share (in €)			
- undiluted	48	1.21	1.79
- diluted	48	1.20	1.78
Weighted average number of shares outstanding (in millions)			
- undiluted	48	176.30	176.30
- diluted	48	177.20	176.48
Rollover to total consolidated profit			
CONSOLIDATED PROFIT		**212,764**	**314,950**
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	41	–276
Other results	39	41	–276
TOTAL CONSOLIDATED PROFIT		**212,805**	**314,674**

Consolidated Balance Sheet

as of 31 December 2024

	Remarks	31/12/2024 k€	31/12/2023 k€
ASSETS			
Short-term assets			
Cash and cash equivalents	16	4,139	3,197
Trade accounts receivable	17	340,170	333,372
Receivables due from associated companies	19	327,308	434,343
Inventories	20	119,568	177,999
Contract assets	18	620,757	666,836
Prepaid expenses	21	320,952	250,586
Other financial assets	22	48,055	42,620
Income tax assets	31	54,368	9,744
Other non-financial assets	23	8,725	9,106
		1,844,042	**1,927,803**
Long-term assets			
Other financial assets	24	2,727	2,566
Tangible assets	25	962,650	501,029
Intangible assets	26	1,437,359	1,560,144
Goodwill	26,27	2,932,943	2,932,943
Contract assets	18	187,921	206,497
Prepaid expenses	21	762,431	609,324
		6,286,031	**5,812,503**
Total assets		**8,130,073**	**7,740,306**

	Remarks	31/12/2024 k€	31/12/2023 k€
LIABILITIES AND EQUITY			
Short-term liabilities			
Trade accounts payable	28,36	349,454	277,053
Liabilities due to associated companies	29,36	163,283	165,461
Contract liabilities	30,36	55,068	51,564
Other provisions	32,36	21,577	24,028
Other financial liabilities*	33,36	109,250	113,134
Other non-financial liabilities*	34,36	25,490	23,590
Income tax liabilities	31,36	6,434	61,782
		730,556	**716,612**
Long-term liabilities			
Contract liabilities	30,36	9,060	11,065
Other provisions	32,36	59,505	42,016
Other financial liabilities	35,36	1,036,244	875,758
Deferred tax liabilities	15	200,738	207,781
		1,305,547	**1,136,620**
Total liabilities		**2,036,103**	**1,853,232**
Equity			
Share capital	38	194,442	194,442
Treasury shares		–512	–512
Capital reserves	39	2,442,220	2,439,314
Cumulative consolidated results		3,458,641	3,254,692
Other equity	39	–821	–862
TOTAL EQUITY		**6,093,970**	**5,887,074**
TOTAL LIABILITIES AND EQUITY		**8,130,073**	**7,740,306**

*The reporting of payroll liabilities was adjusted for the 2023 reporting year. Due to their content-based nature, the payroll liabilities were reclassified from financial to non-financial liabilities.

Consolidated Cash Flow Statement

from 1 January to 31 December 2024

	Remarks	2024 January - December k€	2023 January - December k€
RESULTS FROM OPERATING ACTIVITIES	**46**		
Consolidated profit		212,764	314,950
Allowances for rollover of consolidated profit to incoming and outgoing payments			
Amortisation and depreciation on intangible and tangible assets	11	195,276	111,852
Depreciation on assets capitalised within the framework of corporate acquisitions	11	86,177	86,177
Personnel expenses from employee stock ownership programmes	37	2,906	1,374
Changes in the adjustment items for deferred tax assets	15	–7,061	–16,149
Correction profits / losses from the sale of tangible assets		–13	11
Financial result		4,186	–9,065
Other items not affecting payments		58	–398
Cash flow before changes in balance sheet items (sub-total)		494,293	488,752
Changes in assets and liabilities			
Change in receivables and other assets		8,604	–84,658
Change in contract assets		64,656	–17,878
Change in inventories		58,430	–57,614
Change in prepaid expenses		–223,473	–248,970
Change in income tax assets		–44,624	–3,683
Change in trade accounts payable		9,653	47,916
Change in other provisions		–6,152	23,011
Change in income tax liabilities		–55,347	33,017
Change in other liabilities		–6,996	–34,649
Change in receivables due from / liabilities due to associated companies		10,875	73,304
Change in contract liabilities		1,499	7,034
Changes in assets and liabilities, total		**–182,875**	**–263,170**
Net inflow of funds from operating activities		**311,418**	**225,582**

	Remarks	2024 January - December k€	2023 January - December k€
CASH FLOW FROM INVESTMENTS	**46**		
Investments in intangible and tangible assets		–290,956	–295,727
Inflow of funds from disposal of intangible and tangible assets		312	87
Investments in other financial assets		–208	–341
Interest received		19,053	15,749
Repayments from other financial assets	42	91,000	155,000
Net outflow of funds in investment sector		**–180,799**	**–125,232**
CASH FLOW FROM FINANCING SECTOR	**46**		
Dividend payment	49	–8,815	–8,815
Repayment of leasing liabilities and rights of use	33,45	–14,138	–12,078
Repayment of liabilities related to the acquisition of 5G spectrum	46	–61,266	–61,266
Interest payments		–45,458	–19,671
Net outflow of funds in financing sector		**–129,677**	**–101,830**
Net increase/decline in cash and cash equivalents		942	–1,480
Cash and cash equivalents at beginning of fiscal year		3,197	4,677
Cash and cash equivalents at end of reporting period		**4,139**	**3,197**

Consolidated Change in Equity Statement

in Financial Years 2023 and 2024

		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 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							–8,815		–8,815
Employee stock ownership programme						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**
Per 1 January 2024		**176,764,649**	**194,442**	**465,000**	**–512**	**2,439,314**	**3,254,692**	**–862**	**5,887,074**
Consolidated profit							212,764		212,764
Other consolidated results								41	41
Total results							**212,764**	**41**	**212,805**
Dividend payments	49						–8,815		–8,815
Employee stock ownership programme	37					2,906			2,906
Per 31 December 2024		**176,764,649**	**194,442**	**465,000**	**–512**	**2,442,220**	**3,458,641**	**–821**	**6,093,970**

Consolidated Notes as at 31 December 2024

1. General Information About the Company and the Financial Statements

The 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 runs its own mobile network.

The address and registered office 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) HGB.

1&1 AG is included in the consolidated annual financial statements of United Internet AG, Montabaur, which prepares the consolidated financial statements for both the largest and the smallest consolidated group. The consolidated annual financial statements are published in the German company register.

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 2024.

In its meeting on 12 March 2024, the Supervisory Board approved the consolidated annual financial statements for 2023. The consolidated annual financial statements for 2023 were published in the Statistical Business Register on 5 April 2024.

The consolidated financial statements for 2024 were prepared by the Management Board per 25 March 2025 and subsequently submitted to the Supervisory Board. The consolidated annual financial statements will be presented to the Supervisory Board for approval on 25 March 2025. 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 27 March 2025.

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

The Group includes as at 31 December 2024 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
(2) Wholly-owned subsidiary of 1&1 Telecom Holding GmbH
(3) Wholly-owned subsidiary of Drillisch Online GmbH
(4) Wholly-owned subsidiary of 1&1 Mobilfunk GmbH

All subsidiaries are included in the consolidated financial statements. The scope of consolidation has remained unchanged in comparison with 31 December 2023.

On 8 November 2024, 1&1 AG signed a contract with United Internet Services GmbH, Montabaur, to purchase all shares in A1 Marketing, Kommunikation und neue Medien GmbH, Montabaur. The provisional purchase price is €4.2 million. The purchase will take effect 1 January 2025. The consolidation is not expected to have any significant effects on the 1&1 Group's assets, financial position, and results of operations. Like 1&1 AG, United Internet Services GmbH is also part of the United Internet AG Group.

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 Year
Tenant fixtures	up to 10
Rights of use to land and buildings	up to 11
Rights of use to network infrastructure	up to 25
Motor vehicles	5 to 6
Other equipment, fixtures, fittings and equipment	3 to 19
Rights of use to fixtures, fittings and equipment	up to 4
Office furnishings	up to 13
Servers	3 to 5

The applicable residual useful life for the tangible fixed assets acquired during the corporate acquisition is determined above all on the basis of the aforementioned useful life and the part of the useful life that had passed at the time of the acquisition. The conduct of impairment tests and the recognition of impairment losses and value recoveries correspond to the procedure for intangible assets with a limited useful life (see below).

Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred unless they are related to the production or acquisition of a qualifying asset. Qualified assets are assets for which a considerable period is necessarily required until they are ready for their intended use or sale. The construction of the 1&1 mobile network would generally fall under this definition. Since 1&1 has so far financed the expansion exclusively from its own funds, no capitalisation of borrowing costs is applied. 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 Year
Trademark rights	indeterminate
Clientele	4 to 25
Spectrum	until 16
Other licences and other rights	2 to 15
Rights similar to concessions	5
Software	2 to 5
Own produced intangible assets	3
Rights of use to intangible assets	6

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

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 depreciation 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.

The recognised amortisation periods for costs to obtain contracts are set at 2.5 to 4.5 years and the periods for costs to fulfil contracts at 2.0 to 3.5 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,

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

All other liabilities are classified as long-term.

Deferred tax liabilities are classified as long-term liabilities.

Measurement of the fair value

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

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

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

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

The fair value of an asset or a liability is measured on the basis of the assumptions that the market participants would use as the basis for pricing the asset or liability. It is assumed 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 question of whether an agreement contains a lease is answered on the basis of the economic content of the agreement at the time of the conclusion of this agreement and requires an estimation of whether the performance of the contractual agreement is dependent on the use of a specific asset or specific assets and whether the agreement grants a right to the utilisation of 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.

Usage rights

The Group recognises usage rights as at date of provision (i.e. the date on which the underlying leased asset is available for use). Usage rights 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 usage rights 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. Usage rights 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 11 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, depreciation is 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 receivables 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 receivables 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. Receivables that are more than 90 days overdue are only partially impaired based on empirical values derived from the reported success rates of collection agencies.

Additional details on the impairment of trade receivables 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.

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. The fair value is calculated by using a suitable option price model (Black-Scholes method for example Monte-Carlo simulation). 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. 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. 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 does not lead to equal deductible and taxable temporary differences, 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.

In accordance with the IAS 12 International Tax Reform – Pillar Two Model Rules, 1&1 applies the temporary, mandatory exemption from the recognition of deferred taxes resulting from the introduction of global minimum taxation.

The only jurisdictions to be included for Pillar Two purposes, Germany and Austria, have already passed the final implementation laws.

The comprehensive analysis based on the financial figures for the current financial year shows that Germany and Austria do not qualify as low-tax countries for Pillar Two purposes.

The regulations on global minimum taxation (Pillar Two) have been applied to the United Internet Group, whose consolidated financial statements include the 1&1 Group, since 1 January 2024.

Adjustment of the disclosure of other liabilities

For reasons of transparency and to ensure consistency with the disclosures on financial instruments in accordance with IFRS 7, wage- and salary-related liabilities have been reported under other non-financial liabilities since 1 January 2024 instead of under other financial liabilities as before. In this context, €14.7 million was reclassified to other current non-financial liabilities for the comparative period (31 December 2023).

Summary of valuation principles

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

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

Basic accounting principles

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

2.2 Effects of new or amended IFRS

In financial year 2024, 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	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	Yes
Amendments to: IFRS 16	Leasing liabilities within the scope of a sale and leaseback	01/01/2024	Yes

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.

2.3 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 21	Amendment: lack of convertibility of a currency	01/01/2025	No
Amendments to: IFRS 7 and 9	Classification and measurement of financial instruments	01/01/2026	No
Amendments to: IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	Annual Improvements Project 2024	01/01/2026	No
Amendment to: IFRS 18	Presentation and disclosure in financial statements (replaces IAS 1)	01/01/2027	No
Amendment to: IFRS 19	Subsidiaries without public accountability	01/01/2027	No

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

It is expected that the application of IFRS 18 will have a significant impact on the consolidated financial statements – particularly on the presentation of the consolidated income statement. The specific effects are currently being analysed as part of a Group-wide implementation project.

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 (item 27 of the notes).

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

The macroeconomic environment remained complex in 2024. The ongoing war in Ukraine, tensions in the Middle East, new elections for the German Bundestag, and the U.S. presidential election continue to create significant uncertainty. The German economy has now been in recession for the second consecutive year in 2024.

The 1&1 Group is responding by actively addressing these challenges and integrating them into its business decisions, particularly through the development of risk-mitigation strategies, such as diversified procurement strategies to ensure a secure and fair energy supply.

Although the 1&1 Group operates exclusively in Germany, it still faces indirect effects from these global developments. In light of the heightened cybersecurity threats associated with the wars in the Middle East and Ukraine, the company is intensifying its investments in cybersecurity measures. These include the implementation of advanced monitoring techniques, regular security audits, and employee training to strengthen defences against cyberattacks.

Additionally, 1&1 takes economic developments into account in its financial reporting and consolidated financial statements, e.g. when assessing the recoverability of goodwill or evaluating provisions.

This will not have any direct significant impact on 1&1, however.

The Management Board and operations managers will continue to closely monitor developments and, if feasible, implement appropriate countermeasures.

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 carrying value of the capitalised costs of obtaining contracts as at 31 December 2024 amounts to €204,966k (31/12/2023: €191,446k). The carrying value of the capitalised costs for fulfilling contracts as at 31 December 2024 amounts to €100,475k (31/12/2023: €84,288k). 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 2024 amounts to €2,932,943k (31/12/2023: €2,932,943k). The carrying value of intangible assets with indeterminate useful lives is €53,200k (31/12/2023: €53,200k). The carrying value of the frequency licences acquired in financial year 2019 is €988,102k (31/12/2023: €1,028,921k). Of this amount, €334,997k (31/12/2023: €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 Drillisch) in the amount of €2,906k resulted (previous year: €1,374k). 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 judgements 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 2024 amounts to €6,434k (31/12/2023: €61,782k) and relates mainly to current taxes for financial year 2024. 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 1&1 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). The carrying value of the usage rights for assets as at 31 December 2024 amounts to €439,207k (31/12/2023: €194,352k). The carrying value of the usage rights for assets as at 31 December 2024 amounts to €1,591k (31/12/2023: €3,182k). 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 2024 is €340,170k (31/12/2023: €333,372k). The carrying value of contract assets as at 31 December 2024 amounts to €808,678k (31/12/2023: €873,333k). For additional information, see items 17 and 18 of the notes.

Inventories

Inventories are valued at the lower of cost or net realisable value. The net realisable value is the estimated selling price less the expected necessary costs up to the time of sale. The valuation is based, among other things, on discounts on excess inventory. The amount of the discounts represents a best estimate of the net realisable value and is therefore subject to estimation uncertainties.

The carrying values of the inventories as at the balance sheet date 31 December 2024 come to €119,568k (31/12/2023: €177,999k). 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 usage rights) and of intangible assets with limited useful life as at 31 December 2024 amounts to €2,400,009k (31/12/2023: €2,061,173k; of which frequency licences €988,102k, 31/12/2023: €1,028,921k). 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 2024 amounts to €81,082k (31/12/2023: €66,044k). 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 Access segment 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 (31/12/2023: €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 €-265,284k (previous year: €-132,375k) contains solely and exclusively costs related to the rollout and operation of the Company's own 1&1 mobile network. In the reporting year, intra-group revenue of €45,595k (previous year: €70k) was generated in the 1&1 mobile network segment. Revenue and preliminary services between the segments are settled based on market prices.

Management by the 1&1 AG Management Board is based primarily on key 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 contracts, adjusted earnings before interest, taxes, depreciation and amortisation (comparable operating EBITDA) and cash CapEx (investment expenditure), determined on the basis of IFRS accounting methods (IFRS as they are to be applied in the EU). Unadjusted EBITDA for the financial years 2024 and 2023 corresponds to comparable operational EBITDA.

Segment material costs include expenses for purchased services and goods, corresponding to the cost of sales according to the comprehensive income statement, minus personnel expenses, depreciation, and plus commissions to third parties.

Transactions between the segments are charged at market prices.

The Group's segment reporting for financial year 2024 is presented below:

	Access	1&1 Mobile Network	Consolidation	Total
	€k	€k	€k	€k
Service revenues	3,303,110	0	0	3,303,110
Hardware and Other revenues	761,144	0	0	761,144
Intercompany revenues	0	45,595	–45,595	0
Segment revenues	**4,064,254**	**45,595**	**–45,595**	**4,064,254**
Cost of materials for segment	**–2,639,232**	**–261,812**	**45,595**	**–2,855,449**
Gross profit for segment	**1,425,022**	**–216,217**	**0**	**1,208,805**
Segment EBITDA	**856,119**	**–265,284**	**0**	**590,835**
Customer contracts (in milllions)	**16.39**	**-**	**-**	**16.39**

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**

All revenues were realised in Germany.

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

	2024	2023
	€k	€k
Total segment profits (EBITDA)	590,835	653,847
Write-offs	–281,453	–198,029
Operating results	**309,382**	**455,818**
Financial results	–4,186	9,065
Earnings before income taxes	**305,196**	**464,883**

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:

	2024 €m	2023 €m
Service revenues	3,303	3,243
Hardware and Other revenues	761	854
Total	**4,064**	**4,097**

The Group discloses valuation allowances on trade receivables and contract assets from contracts with customers in the reporting period. The figures are disclosed under the impairment losses from receivables and contract assets and amount to €121,860k (previous year: €105,385k).

Contract balances developed as shown below during financial year 2024:

	31/12/2024 €k	31/12/2023 €k
Trade accounts receivable (item 17 of the notes)	340,170	333,372
Contract assets (item 18 of the notes)	808,678	873,333
Contract liabilities (item 30 of the notes)	64,128	62,629

In financial year 2024, the amount of €51,564k (previous year: €48,298k) 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 €1,496,901k as at 31 December 2024 (previous year: €1,553,502k). 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 2024:

in €k			**Total**
2025	2026	>2026	
1,144,073	352,828	0	1,496,901

31 December 2023:

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

The transaction prices presented relate to unfulfilled or partially unfulfilled performance obligations from contracts with customers, which typically have a minimum contract term of 24 months. The outstanding transaction prices 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. Assuming a largely stable customer base, it can be inferred that the average remaining contract term is approximately 12 months.

5. Cost of Sales

The cost of sales developed as follows:

	2024 €k	2023 €k
Expenditures for purchased services	1,781,109	1,726,796
Expenditures for purchased goods	807,376	883,755
Write-offs	178,879	96,353
Personnel expenses	99,205	94,734
Miscellaneous	155,498	136,017
Total	**3,022,067**	**2,937,655**

Cost of sales rose in relation to the sales revenues in comparison with the previous year to 74.4 percent (previous year: 71.7 percent), leading to a reduced gross margin of 25.6 percent (previous year: 28.3 percent).

The cost of sales in the 1&1 mobile network segment amounted to €404,586k for the 2024 reporting period (previous year: €166,832k), primarily related to the costs ofor developing and operating the 1&1 mobile network. The cost of sales also includes depreciation of €128,724k (previous year: € 46,870k). This includes depreciation of mobile frequencies totalling €40,819k (previous year: €40,819k).

The Access segment accounted for the cost of sales of €2,663,076k for the 2024 reporting period (previous year: €2,770,893k)This includes depreciation of mobile frequencies totalling €40,819k (previous year: €40,819k).

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

6. Distribution Costs

The distribution costs developed as follows:

	2024 €k	2023 €k
Marketing expenses	172,177	171,282
Personnel expenses	125,092	117,175
Sales commissions	111,467	93,079
Write-offs	95,021	93,983
Miscellaneous	31,958	37,716
Total	**535,715**	**513,235**

Other distribution costs comprise essentially customer care and product management.

7. Administration Costs

The administration costs break down as follows:

	2024 €k	2023 €k
Purchased work	31,277	31,899
Personnel expenses	27,836	26,244
Expenses for money transactions	14,719	14,656
Receivables management	10,498	9,704
Legal and consulting fees	7,855	12,037
Write-offs	7,553	7,693
Miscellaneous	12,447	13,410
Total	**112,185**	**115,643**

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

8. Other Operating Expenses

Other operating expenses break down as follows:

	2024 €k	2023 €k
Expenses relating to other periods	1,670	1,581
Other taxes	377	278
Miscellaneous	1,153	769
Total	**3,200**	**2,628**

9. Other Operating Income

Other operating income breaks down as follows:

	2024 €k	2023 €k
Income from dunning charges and return debit notes	27,207	22,861
Damages	7,871	7,606
Income from related parties	1,995	634
Income related to other periods	1,230	1,177
Rental income	188	220
Income from foreign currency translation	147	139
Miscellaneous	1,517	1,026
Total	**40,155**	**33,663**

10. Impairment Losses from Receivables and Contract Assets

Impairment losses from receivables and contract assets comprise the following:

	2024 €k	2023 €k
Contract assets	58,452	53,047
Trade accounts receivable	63,408	52,338
Total	**121,860**	**105,385**

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

11. Depreciation

The development of fixed assets, including depreciation and amortisation, is shown in the consolidated statement of financial position (appendix to the notes to the consolidated financial statements).

Depreciation and amortisation of intangible assets and property, plant and equipment (including rights of use from IFRS 16 accounting) are composed as follows:

	2024 €k	2023 €k
Cost of sales	178,879	96,353
Distribution costs	95,021	93,983
Administration costs	7,553	7,693
Total	**281,453**	**198,029**

Depreciation and amortisation included in the cost of sales relate to the 1&1 mobile network segment in the amount of €128,724 (previous year: €46,870) and in the amount of €40,819 to the depreciation of mobile phone frequencies.

Depreciation also includes depreciation on capitalised assets as part of corporate acquisitions. These are distributed across the capitalised assets as follows:

	2024	2023
	€k	€k
Clientele	86,177	86,177
Total	**86,177**	**86,177**

This includes depreciation and amortisation of €57,128 thousand (previous year: €57,138 thousand) attributable to the additional capitalised assets as part of the purchase price allocation.

The impairment test for intangible assets with an indefinite useful life was carried out at the level of the cash-generating units as of the balance-sheet date.

The amortisation of assets capitalised as a result of company acquisitions is distributed across the individual functional areas as follows:

	2024	2023
	€k	€k
Distribution costs	86,177	86,177
Total	**86,177**	**86,177**

12. Personnel Expenses

Personnel expenses are distributed among the business divisions as follows:

	2024	2023
	€k	€k
Cost of sales	99,205	94,734
Distribution costs	125,092	117,175
Administration costs	27,836	26,244
Total	**252,133**	**238,153**

Personnel expenses comprise the expenses for wages and salaries in the amount of €214,818k (previous year: €202,907k) and the expenses for social security in the amount of €37,315k (previous year: €35,246k).

As at the balance sheet date 31 December 2024, the number of employees (headcount) was 3,281 (31/12/2023: 3,320). The average number of employees during financial year 2024 was 3,299 (previous year: 3,255).

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 2024, they total €16,672k (previous year: €15,635k) and include primarily the contributions paid to the government pension insurer in Germany.

13. Financing Expenses

The financing expenses break down as follows:

	2024 €k	2023 €k
Interest from leasing liabilities	14,148	4,711
Interest from deferral of frequency liabilities	5,631	6,050
Interest expenses from tax audits	698	392
Guarantee commissions	10	27
Miscellaneous	159	123
Total	**20,646**	**11,303**

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:

	2024 €k	2023 €k
Interest and similar income associated companies	15,541	19,700
Interest income from tax audits	284	189
Miscellaneous	635	479
Total	**16,460**	**20,368**

Interest income concerns above all interest paid on the investment of free cash at United Internet AG.

Reference is made here to the disclosure under point 42 of the notes concerning the interest income from associated companies.

15. Income Tax Expenses

Tax expenses in the Group break down as follows:

	2024 €k	2023 €k
Current taxes on income	99,493	166,082
Deferred taxes	–7,061	–16,149
Disclosed expenses for income taxes	**92,432**	**149,933**

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 2024 was about 14.60 percent (previous year: 14.61 percent). This led to a change in the Group tax rate to 30.42 percent (previous year: 30.44 percent).

The current taxes on income include out-of-period tax expenses in the amount of €450k (previous year: €3,963k).

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:

	2024		2023	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	€k	€k	€k	€k
Intangible assets	9,180	–66,535	19,662	–95,218
Tangible assets	0	–138,891	0	–63,599
Inventories	62	–82	64	–35
Contract assets	0	–217,402	0	–236,601
Other assets	302	–3,893	49	–5,579
Prepaid expenses	176,338	–105,655	190,300	–87,493
Other provisions	25,163	–4,736	19,998	–5,962
Contract liabilities	8,851	–8,920	9,244	–9,466
Other liabilities	125,480	0	56,855	0
Gross value	**345,376**	**–546,114**	**296,172**	**–503,953**
Balance sheet item	–345,376	345,376	–296,172	296,172
Consolidated balance sheet	**0**	**–200,738**	**0**	**–207,781**

The net liability position of deferred taxes as at the balance sheet date 31 December 2024 totalled €200,738k (31/12/2023: €207,781k).

The total amount of the change in the balance of deferred taxes amounts to €7,043k (previous year: €16,270k).

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 from provisions for dismantling obligations and litigation cost risks.

The change in the balance of the deferred taxes in comparison with their status as at 31 December 2023 can be determined as shown below:

	2024 €k	2023 €k
Deferred tax income/tax expenses	7,061	16,149
Changes recognised through other comprehensive income:		
- Directly through other equity	–18	121
Change in the balance of deferred taxes	**7,043**	**16,270**

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

	2024	2023
Expected tax rate	30.4%	30.4%
	€k	**€k**
Profit before income taxes from continued operations	305,196	464,883
- Tax expenses from application of the income tax rate	92,841	141,464
- Tax rate changes	–68	1,333
- Actual taxes previous years	–450	3,963
- Balance of other tax-exempt income and non-deductible expenses as well as trade tax additions and deductions	109	3,173
Tax expenses pursuant to comprehensive income statement	**92,432**	**149,933**
Effective tax rate	**30.3%**	**32.3%**

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 receivables

As at the balance sheet date 31 December 2024, net trade receivables amounted to €340,170k (31/12/2023: €333,372k) and break down as follows:

	31/12/2024 €k	31/12/2023 €k
Trade accounts receivable, gross	422,178	407,130
Less		
Valuation allowances	–82,008	–73,758
Trade accounts receivable, net	**340,170**	**333,372**
of which trade receivables - short-term	340,170	333,372
of which trade receivables - long-term	0	0

The increase in the value adjustment was due to a deterioration in customer payment behaviour compared to the previous year.

The development of the valuation allowances account is presented below:

	2024 €k	2023 €k
Balance at 1 January	73,758	69,565
Utilisation	–55,158	–48,145
Additions through expenses	67,835	60,729
Reversal	–4,427	–8,391
As at 31 December	**82,008**	**73,758**

The additions of valuation allowances through expenses do not include the receivables that were derecognised during the year and before the balance sheet date.

The maximum default risk on the balance sheet date corresponds to the net carrying value of the above-mentioned trade receivables.

As of the balance sheet date, there are no indications that the payment obligations for the receivables for which no valuation allowances have been created will not be satisfied.

Overdue receivables are reviewed to determine if there is any need for valuation allowances. The determination of the separate valuation allowances is essentially dependent on the age structure of the receivables. Reference is made to item 43 of the notes.

Any and all overdue receivables for which separate valuation allowances have not been created are encompassed in a lump-sum valuation allowance based on expected credit losses.

Per 31 December, the age structure of the trade receivables, after consideration of the aforementioned valuation allowances corresponds to the following:

	31/12/2024 €k	31/12/2023 €k
Trade accounts receivable, net		
0-5 days	290,236	291,234
6-15 days	8,576	6,721
16-30 days	9,782	6,292
31-180 days	22,848	23,170
181-365 days	7,096	5,636
> 365 days	1,632	319
Total	**340,170**	**333,372**

18. Contract assets

As at the balance sheet date 31 December 2024, net contract assets amount to €808,678k (31/12/2023: €873,333k) and break down as follows:

	31/12/2024 €k	31/12/2023 €k
Contract assets, gross	885,238	943,790
Less		
Valuation allowances	–76,560	–70,457
Contract assets, net	**808,678**	**873,333**
of which contract assets - short-term	620,757	666,836
of which contract assets - long-term	187,921	206,497

The decline in contract assets results from reduced hardware revenue.

The development of the allowance account is as follows:

	2024 €k	2023 €k
Balance at 1 January	70,457	64,173
Additions through expenses	58,452	53,047
Utilisation	–52,349	–46,763
As at 31 December	**76,560**	**70,457**

19. Accounts Due from Associated Companies

Accounts due from associated companies at the balance sheet date amount to €327,308k (31/12/2023: €434,343k) and 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:

	31/12/2024 €k	31/12/2023 €k
Merchandise, gross		
- Mobile services / Mobile internet	101,043	162,873
- Broadband hardware	12,041	10,789
- SIM cards	9,741	11,007
- Miscellaneous	2,596	1,948
	125,421	**186,617**
Less		
Valuation allowances	–5,853	–8,618
Inventories, net	**119,568**	**177,999**

The decline in inventories compared to 31/12/ 2023 is primarily from the planned sale of smartphones and hardware.

The cost of goods sold recognised in financial year 2024 as cost of materials under cost of sales from the sale of inventories amounts to €807,376k (previous year: €883,755k). Of this, €2,241 thousand (previous year: €2,878 thousand) is attributable to inventory write-downs.

21. Prepaid Expenses

Prepaid expenses break down as follows:

			31/12/2024
	Short-term	Long-term	Closing balances
	€k	€k	€k
Costs to obtain contracts	96,838	108,128	204,966
Costs to fulfil contracts	54,949	45,526	100,475
Advance payments wholesalers	106,922	540,695	647,617
Miscellaneous	62,243	68,082	130,325
Total	**320,952**	**762,431**	**1,083,383**

			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**

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.

	2024	2023
	€k	€k
Wholesale charges recognised through expenditures	110,249	67,313
Amortisation of capitalised costs to obtain contracts	109,681	103,997
Amortisation of capitalised costs to fulfil contracts	55,835	48,010
	275,765	**219,320**

22. Other current financial assets

The other current financial assets are comprised as follows:

	31/12/2024 €k	31/12/2023 €k
Receivables for promotion rebates	34,738	30,046
Creditors with debit balances	3,420	12,046
Subsidies for network expansion by the BNetzA	5,736	0
Miscellaneous	4,161	528
Other financial assets	**48,055**	**42,620**

The development of receivables from advertising cost subsidies and creditors with debit balances is mainly due to the later offsetting of claims against suppliers.

23. Other current non-financial assets

	31/12/2024 €k	31/12/2023 €k
Value-added tax	3,108	2,922
Refund claims from return of hardware	5,617	6,184
Other non-financial assets	**8,725**	**9,106**

24. Other Long-term Financial Assets

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

	31/12/2024 €k	31/12/2023 €k
Participating interests	2,170	1,963
Other loans	557	603
Total	**2,727**	**2,566**

25. Tangible assets

Tangible assets as at the balance sheet date 31 December break down as follows:

	31/12/2024 €k	31/12/2023 €k
Acquisition costs, gross		
Land and buildings	319	324
Rights of use to land and buildings	130,052	119,875
Rights of use to fixtures, fittings and equipment	15,196	13,349
Rights of use to network infrastructure	360,530	103,730
Fixtures, fittings and equipment	426,210	81,263
Payments on account	162,655	251,599
	1,094,962	**570,140**
Less		
Accrued amortisation	–132,312	–69,111
Tangible assets, net	**962,650**	**501,029**

An alternative presentation of the development of tangible assets in financial years 2024 and 2023 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 €68,078k (31/12/2023: €265,610k).

The increase in usage rights to network infrastructure as well as operating and business equipment 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:

	31/12/2024 €k	31/12/2023 €k
Acquisition costs, gross		
Spectrum	1,070,187	1,070,187
Clientele	776,975	776,975
Payments on account	25,170	243,510
Rights similar to concessions	165,000	165,000
Purchased software and licences	449,259	144,979
Trademarks	56,300	56,300
Own produced software	14,443	14,443
Rights of use to licences	9,282	9,282
	2,566,616	**2,480,676**
Less		
Accrued amortisation	–1,129,257	–920,532
Intangible assets, net	**1,437,359**	**1,560,144**

An alternative presentation of the development of intangible assets in financial years 2024 and 2023 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 useful life of the concession-like rights ends in June 2025.

The usage rights 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 (31/12/2023: €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 (31/12/2023: €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 write-down 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:

	31/12/2024	31/12/2023
	€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 €19,613k (31/12/2023: €66,707k); these are mainly obligations for the construction and operation of the 1&1 mobile network.

The increase in purchased software and licenses mainly relates to the construction 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 will be available from the time of acquisition, 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 2024, the carrying values of the frequency blocks break down as follows:

Frequency block	31/12/2024 €k	31/12/2023 €k
3.6 GHz	653,105	693,924
2.0 GHz	334,997	334,997
Total	**988,102**	**1,028,921**

In financial year 2024, depreciation of €40,819k were taken for the frequency blocks in the 3.6 GHz bandwidth (previous year: €40,819k). 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 2024 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 2024

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.

As in the previous year, the impairment test for goodwill of the cash-generating unit Access in financial year 2024 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	2024	100%	1.0%	9.3%	2.1%
	2023	100%	1.0%	10.3%	2.9%

*Detailed planning period until the end of financial year 2029

The cash flow forecasts are based on a Group budget calculation for financial year 2025 and a planning calculation for financial years 2026 to 2029. 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 (2029) 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 2030 to and including 2045, 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 2.1 percent (previous year: 2.9 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: 1.0 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 9.3 percent (previous year: 10.3 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 1.0 percentage point 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 1.0 percentage point. 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 5G radio spectrum capitalised results from the 5G frequency auction in 2019. 1&1 acquired two frequency blocks of 2 x 5 MHz in the 2 GHz range and five frequency blocks of 10 MHz each in the 3.6 GHz range, each with a limited period of use until 31 December 2040. The frequency blocks in the 3.6 GHz range are available immediately and the frequency blocks in the 2 GHz range from 1 January 2026. The 1&1 mobile network has been in operation using the 3.6 GHz frequencies since 28 December 2022. As the 2 GHz frequencies have not yet been fully utilised, an impairment test of the cash-generating unit 1&1 mobile network at the level of the reporting segment of the same name was carried out in the 2024 financial year.

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. For the impairment test, the value in use was determined using the cash flow forecasts in accordance with IAS 36.

The realisable amount of the cash-generating unit 1&1 mobile network is determined on the basis of the calculation of the utility value using cash flow forecasts. For the impairment test, the utility value was determined using the cash flow forecasts in accordance with IAS 36.

The planning calculation on which the impairment test is based includes a profit and loss plan and an investment plan for the financial years 2025 to 2045. Based on the planning calculation, the perpetual annuity begins in 2046, which should represent a sustainable level of sales and earnings. The planning is based on the assumption that 1&1 will continue to have sufficient radio spectrum to operate its own mobile network in the future. In the previous year, the valuation was carried out over the period 2024 to 2040, as the allocation of the currently available radio spectrum expires in that year.

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 value in use is largely determined by the present value of the perpetual annuity, which is particularly sensitive to changes in the assumptions regarding the long-term growth rate and the discount rate. For the perpetual annuity period, management assumes an annual increase in cash flow of 1.0 percent. This growth rate corresponds to the long-term average growth rate for the industry.

The discount rates before taxes used in the financial year for the cash flow forecasts is at 5.2 percent (previous year: 6.0 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 assumptions made with regard to a reduction in the value of the radio spectrum depends on the basic assumptions for the respective cash-generating unit.

As part of sensitivity analyses for the cash-generating unit 1&1 mobile network, various changes in key valuation parameters were examined. In doing so, it was analysed how an increase in the discount rate (WACC, before taxes) by 1.0 percentage point, a reduction of the long-term growth rate in perpetuity by 1.0 percentage point and a reduction of the EBITDA margin in perpetuity by 1.0 percentage point, each of these changes in the respective book value and the current headroom of €1,212 million.

While the increase in the WACC would result in an impairment of €388 million, a reduction in the growth rate of 1.0 percentage point would not result in an impairment and there would still be headroom of €436 million. A reduction in the EBITDA margin of the perpetual annuity by 1.0 percentage point would also not result in an impairment and there would still be headroom of €1,096 million.

In the previous year, an assumed increase of 1.0 percentage point in the weighted average cost of capital (WACC) and an increase of 5.0 percent in operating costs for active network technology (in particular energy costs) would have resulted in an impairment of approximately EUR 261 million. The sensitivity analysis did not take into account opportunities arising from possible price adjustments due to increased operating costs.

The current valuation assumes a perpetual annuity from 2046 onwards, while in the previous year the valuation was based on a period from 2024 to 2040, as the allocation of the currently available radio spectrum expires in 2040. Therefore, the previous year's figures are only comparable to a limited extent.

28. Trade Accounts Payable

Trade accounts payable amount to €349,454k as at the balance sheet date 31 December 2024 (31/12/2023: €277,053k). 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 2024 amount to €163,283k (31/12/2023: €165,461k) 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

	31/12/2024 €k	31/12/2023 €k
Contract liabilities	64,128	62,629
- of which short-term	55,068	51,564
- of which long-term	9,060	11,065
Total	**64,128**	**62,629**

31. Income Tax Assets/Income Tax Liabilities

Income tax assets mainly relate to receivables due from fiscal authorities in Germany and amounted to €54,368k (31/12/2023: €9,744k) as at the reporting date.

As in the previous year, income tax liabilities of €6,434k (31/12/2023: €61,782k) relate to liabilities to tax authorities in Germany.

32. Other provisions

The development of the provisions is as follows:

	Dismantling - obligations	Litigation risks	Termination compensation	Miscellaneous	Total
	€k	€k	€k	€k	€k
01 January 2024	**9,515**	**22,928**	**32,501**	**1,100**	**66,044**
Utilisation	0	586	11,242	1,100	12,928
Reversal	0	10,453	0	0	10,453
Allocation	21,424	888	7,307	8,800	38,419
31 December 2024	**30,939**	**12,777**	**28,566**	**8,800**	**81,082**

The litigation risks comprise various legal disputes at different Group companies and potential fines from authorities. As a result of current legal developments in the past financial year, the probability of a possible fine has been significantly reduced, so that the provision created for this could be reversed.

The provision for termination fees relates to payments to be made to network operators in the event of termination.

The provision for restoration obligations relates in particular to the antenna locations in the 1&1 mobile network.

The other provisions mainly relate to the extended expansion obligations imposed by the Federal Network Agency and the warranty provisions.

Provisions amounting to €28,566 (31 December 2023: €32,501) have a term of one to five years and provisions amounting to €30,939 (31 December 2023: €9,515) have a term of more than five years.

33. Other Short-term Financial Liabilities

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

	31/12/2024 €k	31/12/2023* €k
Other short-term financial liabilities		
Frequency liabilities	61,266	61,266
Marketing and distribution costs / distribution commissions	12,488	17,196
Obligations pursuant to leases	20,218	17,996
Customers with credit balances	8,290	5,915
Legal and professional fees, closing expenses	3,266	2,982
Miscellaneous	3,722	7,779
Total	**109,250**	**113,134**

*In the 2023 reporting year including salary liabilities. Due to their content-based nature, the payroll liabilities were reclassified from financial to non-financial liabilities.

Reference is made here to item 43 of the notes concerning frequency liabilities.

34. Other current non-financial liabilities

The other current non-financial liabilities are comprised as follows:

	31/12/2024 €k	31/12/2023* €k
Other short-term non-financial liabilities		
Liabilities from salaries / personnel	14,377	14,653
Value-added tax previous years	8,309	5,661
Income and church tax due	2,804	3,276
Total	**25,490**	**23,590**

*The reporting of payroll liabilities was adjusted for the 2023 reporting year. Due to their content-based nature, the payroll liabilities were reclassified from financial to non-financial liabilities.

Since 1 May 2023, 1&1 AG and its previous subsidiaries have been part of the VAT group of United Internet AG. VAT liabilities are now reported under liabilities to related companies.

35. Other Long-term Financial Liabilities

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

	31/12/2024 €k	31/12/2023 €k
Other long-term financial liabilities		
Frequency liabilities	641,326	702,592
Obligations pursuant to leases	392,741	170,511
Miscellaneous	2,177	2,655
Total	**1,036,244**	**875,758**

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 2024 is presented below:

	Up to 1 year €k	1 to 5 years €k	More than 5 years €k	Total €k
Trade accounts payable	349,454	0	0	349,454
Liabilities due to associated companies	163,283	0	0	163,283
Contract liabilities	55,068	9,060	0	64,128
Other financial liabilities	109,250	585,961	450,283	1,145,494
Other non-financial liabilities	25,490	0	0	25,490
Other provisions	21,577	28,566	30,939	81,082
Income tax liabilities	6,434	0	0	6,434
Total	**730,556**	**623,587**	**481,222**	**1,835,365**

The frequency liabilities, which are disclosed under other financial liabilities, have a term until 2030.

37. Share-based payment

1&1 had an employee participation programme in the 2024 reporting year. An employee participation model oriented to the long term, the so-called Stock Appreciation Rights Drillisch (SAR Drillisch programme), which was launched in the 2020 reporting year and replaced Drillisch's former SAR programme.

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 allocation 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 2024, as in the previous year, an additional issuance (second issuance) of SARs was made for existing participants. The payout amount of the first issuance is deducted when limiting the second issuance.

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, 100 percent, 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 calculated using an option pricing model based on the so-called Black-Scholes valuation model in accordance with IFRS 2. For selected participants, a new issuance of the second tranche was made, and the entitlement from the old tranche was credited. To account for the settlement of the payout amount between the old tranche from 1 June 2021, and the second tranche from 1 January 2025, a Monte Carlo simulation was used to determine the fair value of the second issuance. Within the simulation, the earliest possible exercise was assumed regarding the exercise windows. Additionally, both the cap on the payout per SAR and the respective exercise hurdles per tranche were taken into account. 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 fair value of the allocated options is calculated at the grant date as follows:

Valuation parameters in financial year

Issue Date	01/06/2023		01/08/2023		09/09/2024		27/09/2024	
Number of SARs	28,000		2,765,000		500,000		195,000	
Initial price	10.14	€	10.24	€	12.60	€	12.60	€
Exercise price	10.27	€	10.14	€	11.85	€	11.85	€
Average market value per option	1.84	€	2.18	€	2.82	€	2.49	€
Dividend return	0.49	%	0.49	%	0.40	%	0.40	%
Volatility of the stock	29.89	%	29.65	%	31.17	%	31.17	%
Expected duration	2 to 5	years	2 to 5	years	2 to 5	years	2 to 5	years
Risk-free interest (2 to 5 years)	2.64 - 2.20	%	3.99 - 3.70	%*	2.71 - 3.14	%*	1.99 - 2.12	%

*The cost of debt interest rate was used to determine the fair value of the tranches as at 1 August 2023 and 9 September 2024.

Issue Date	01/01/2022		01/04/2023		01/05/2023	
Number of SARs	5,250		385,000		100,000	
Initial price	13.49	€	10.27	€	10.54	€
Exercise price	14.28	€	10.77	€	10.47	€
Average market value per option	1.81	€	1.70	€	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	years	2 to 5	years	2 to 5	years
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	1.400.100		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:

	2024 €k	2023 €k
Expected total expense from the employee stock ownership programme	16,837	15,065
Cumulative expenses until the end of the financial year	11,157	8,251
Expenditure expected to be incurred in future years	5,679	6,814
Personnel expenses in the financial year	2,906	1,374

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 2023	**5,472,500**	**14.18**
Lapsed/forfeited	–290,750	17.33
Newly vested	695,000	11.85
Outstanding per 31 December 2024	**5,876,750**	**13.75**

38. Share Capital

The share capital amounts to €194.4 million (31/12/2023: €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 2024, 1&1 AG held 465,000 treasury shares (31/12/2023: 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) sentence 1 of 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) sentence 4 of 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) sentence 4 of 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) sentence 4 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 financial year in which they are issued; to the extent legally permissible, the Management Board, subject to the Supervisory Board's consent, may also determine the participation in profits for a previously expired financial year for new shares in abrogation of this provision and of section 60(2) AktG. The Management Board is authorised, subject to the consent of the Supervisory Board, to determine the details of the conduct of the contingent capital increase.

39. Capital Reserves and Other Equity

Capital reserves as at 31 December 2024 came to €2,442,220k (31/12/2023: €2,439,314k). The increase in the capital reserves results from the addition of €2,906k within the framework of employee stock option programmes.

Other equity in the amount of €-821k (previous year €-862k) 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) sentence 4 of 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) sentence 4 of 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 remuneration 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 2024.

Per 31 December 2024, 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 2024:

	Evaluation category per IFRS 9	Carrying value as at 31/12/2024	Amortised acquisition costs	At fair value through other comprehensiv e income without recycling to the profit and loss account	Valuation according to IFRS 16	Fair Value as at 31/12/2024
		€k	€k	€k	€k	€k
Financial assets						
Cash and cash-equivalents	ac	4,139	4,139			4,139
Trade accounts receivable	ac	340,170	340,170			340,170
Accounts due from associated companies	ac	327,308	327,308			327,308
Other short-term financial assets	ac	48,055	48,055			48,055
Other long-term financial assets						
- Participating interests	fvoci	2,170		2,170		2,170
- Miscellaneous	ac	557	557			557
Financial liabilities						
Trade accounts payable	ac	–349,454	–349,454			–349,454
Liabilities due to associated companies	ac	–163,283	–163,283			–163,283
Other short-term financial liabilities	ac/n/a					
- Lease obligations	n/a	–20,218			–20,218	
- Miscellaneous	ac/n/a	–89,032	–89,032			–89,032
Other long-term financial liabilities	ac/n/a					
- Lease obligations	n/a	–392,741			–392,741	
- Frequency liabilities	ac	–641,326	–641,326			–553,735
- Miscellaneous	ac	–2,177	–2,177			–2,177
of which aggregated per classification categories:						
Financial assets at amortised cost	ac	720,229	720,229			720,229
Financial assets at fair value through other comprehensive income without recycling to profit and loss	fvoci	2,170		2,170		2,170
Financial liabilities at amortised acquisition cost	ac	–1,245,272	–1,245,272			–1,157,681
Leasing obligations	n/a	–412,959			–412,959	

The following net results were reported for the individual categories of financial instruments in accordance with IFRS 9 in the 2024 financial year:

2024	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	16,176	42	–63,408	–47,190
Financial liabilities measured at amortised cost	ac	–5,727	18	0	–5,709
Total		**10,449**	**60**	**–63,408**	**–52,899**

Cash and cash equivalents, trade receivables, 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.

The table below presents the carrying values and fair values 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	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 31/12/2023
		€k	€k	€k	€k	€k
Financial assets						
Cash and cash-equivalents	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	–95,138	–95,138			–95,138
Other long-term financial liabilities	ac/n/a					
- Lease obligations	n/a	–170,511			–170,511	
- Frequency liabilities	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	–1,242,899	–1,242,899			–1,133,966
Leasing obligations	n/a	–188,507			–188,507	

The following net results were reported for the individual categories of financial instruments in accordance with IFRS 9 in the 2023 financial year:

2023	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	20,179	67	–52,338	–32,092
Financial liabilities measured at amortised cost	ac	–6,104	29	0	–6,075
Total		**14,075**	**96**	**–52,338**	**–38,167**

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 €2,170k (31/12/2023: €1,963k) 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 immediate 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, companies over which the related parties have a controlling influence are classified as related companies. In addition, Mr. Ralph Dommermuth, being the majority shareholder of United Internet AG, is classified as a related party. The Management and Supervisory Boards of United Internet AG and their close family members are also considered related parties.

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 €10 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
- Nemetschek SE, Munich (Supervisory Board chairman)

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

Norbert Lang
Entrepreneur, Waldbrunn
— Deputy Chairman —

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

- Rocket Internet SE, Berlin (until 27 June 2024)

Matthias Baldermann
CTO at Hutchison Drei Austria GmbH, Dresden

Vlasios Choulidis
Entrepreneur, Gelnhausen

Friedrich Joussen
Independent Advisor, Düsseldorf

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

- 1&1 Versatel GmbH, Düsseldorf (Advisory Board Chairman)
- 1& 1 Versatel Deutschland GmbH, Düsseldorf (Supervisory Board Chairman)
- Rheinische Post Mediengruppe GmbH, Düsseldorf (Supervisory Board Chairman)

Christine Schöneweis
COO Intelligent Enterprise, Solutions (IES), Senior Vice President, SAP SE, Schriesheim

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

- Nemetschek SE, Munich

Management Board

Ralph Dommermuth
Chair of the Board, CEO, Montabaur

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

- 1& 1 Versatel GmbH, Düsseldorf (Member of the Advisory Board)
- IONOS Holding SE, Montabaur
- IONOS Group SE, Montabaur (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, until 6 November 2024)

Markus Huhn
Management Board, CFO, Neuerkirch (until 31 December 2024)

Alessandro Nava
Management Board, COO, Essen

Sascha D'Avis
Management Board, CFO, Stahlhofen (since 1 January 2025)

Remuneration of key management personnel

The short-term payable supervisory board compensation simultaneously represents the total remuneration pursuant to section 314(1) no. 6 a and b HGB and consists of fixed annual compensation and meeting fees, amounting to a total of €359k in 2024, of which €24k was variable (previous year: €357k, of which €22k was variable). Since the compensation is only paid after the financial year has ended, a provision for short-term payable benefits amounting to €359k exists as of the balance sheet date (31 December 2023: €358k).

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. Reference to item 37 of the notes concerning virtual stock options.

The total remuneration for the Management Board according to IAS 24 is as follows:

	31/12/2024 €k	31/12/2023 €k
Benefits due in the short term	1,320	1,567
Post-employment benefits	0	0
Other benefits due in the long term	0	0
Termination benefits	0	0
Share-based remuneration	2,130	1,260
Total	**3,450**	**2,827**

The total remuneration of the members of the Management Board in accordance with section 314(1) No. 6 a and b of the German Commercial Code (HGB) amounted to €1,320k in the financial year 2024 (previous year: €7,605k). In the previous year, the total remuneration included new grants from the SAR programme of 2,765,000 shares with a fair value of €6,038k. The SAR programme runs for six years.

The CEO of 1&1 AG, Mr. Ralph Dommermuth, in consultation with the Supervisory Board, has waived his right to Management Board remuneration.

The following table provides information on the remuneration of the members of the Management Board:

2024	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 2024 (€k)
Ralph Dommermuth (CEO)	0	0	0	0	0	0
Markus Huhn (CFO)	325	138	6	469	3,574	799
Alessandro Nava (COO)	700	139	12	851	5,957	1,331
Total	**1,025**	**277**	**18**	**1,320**	**9,531**	**2,130**

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**

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

A sum of €277 thousand (31 December 2023: €450 thousand) was recorded in the provisions for the remuneration of the members of the Management Board as of 31 December 2024.

No advances or loans were granted to the members of the Management Board in the financial year or in the previous year.

The perquisites usually consist of a company car appropriate to the position, the non-cash benefit of which is taxable.

Directors' Holdings

Per 31 December 2024, Management Board members held the following shares in 1&1 AG: United Internet AG, Montabaur, held 78.32 percent of the stock in 1&1 AG per the closing date 31 December 2024. As at 31 December 2024, 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 per 31 December 2024: 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 their subsidiaries, have been identified as associated companies of the Group.

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

	31/12/2024	31/12/2023
	€k	T€
United Internet AG	325,861	433,229
IONOS Group	1,243	863
United Internet Corporate Services GmbH	87	87
Miscellaneous	117	164
Total	**327,308**	**434,343**

The short-term accounts receivable result from the short-term investment of cash as parent well as from trade. Of the disclosed receivables, €325,861k (31/12/2023: €433,229k) are accounts due from the parent company (United Internet AG).

Variable interest is paid on receivables from the investment of cash at United Internet AG at the end of the financial year. The remaining open balances existing are unsecured, interest-free and will be settled by cash payment. There are no guarantees for accounts due from associated companies. Accounts due from related parties were not value-adjusted in financial year 2024. 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:

	31/12/2024 €k	31/12/2023 T€
Versatel Group	88,766	95,896
United Internet AG	55,991	54,870
1&1 Mail & Media GmbH	6,993	5,110
A1 Marketing, Kommunikation und neue Medien GmbH	5,669	3,047
United Internet Corporate Services GmbH	4,350	5,626
IONOS Group	806	614
Miscellaneous	708	298
Total	**163,283**	**165,461**

Accounts due to associated companies result above all from trade. Of the disclosed liabilities, €55,991k (31/12/2023: €54,870k) comprise liabilities due to the parent company (United Internet AG). The open balances existing at the end of the financial year are unsecured and, with the exception of liabilities owed to United Internet AG, interest-free and are settled by cash payment. There are no guarantees. There are no liabilities to associated companies of United Internet AG as of the balance sheet date (31/12/2023: €10k).

The parent company, United Internet AG, has granted to 1&1 AG a credit line with an indefinite term totalling €200 million.

In January 2025, 1&1 and United Internet concluded a loan agreement worth a maximum of €800 M, to facilitate the transfer of the external financing secured by United Internet to 1&1. 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 2024 €k	Purchases / Services from associated companies / related parties 2024 €k	Purchases / Services from associated companies / related parties 2023 €k	Purchases / Services from associated companies / related parties 2023 €k
286,619	16,433	263,907	15,343

The transactions with associated companies concern primarily issues from internal offsets of performances.

Of the disclosed expenses, €157k (previous year: €354k) are related to the parent company, United Internet AG.

In addition, the expenses include rent payments for business premises to related parties and services purchased from associated companies in the amount of €99 thousand (previous year: €0 thousand).

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 €953,755k (previous year: €890,269k) and charges forward to associated companies in the amount of €5,070k (previous year: €4,342k). These business transactions are carried out primarily to bundle purchasing volumes.

The business premises in Montabaur and Karlsruhe are mainly leased to 1&1 by Mr. Ralph Dommermuth and his close family members. 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 usage rights and lease liabilities as well as the related depreciation and interest in their own accounting.

The carrying value of the usage rights as at 31 December 2024 amounts to €66,948k (31/12/2023: €61,986l) and that of the lease liabilities to €70,329k (31/12/2023: €63,898k). Depreciation in financial year 2024 amounted to €7,046k (previous year: €5,659k) and interest expenses to €2,589k (previous year: €2,260k). The payment commitments incurred during the reporting period amounted to €8,695k (previous year: €7,085k).

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
2024	2024	2023	2023
€k	€k	€k	€k
15,541	0	19,700	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

Liquidity risk is the risk that a company will encounter difficulties in meeting the payment obligations arising from its financial liabilities. For 1&1, the liquidity risk is fundamentally, and thus unchanged from the previous year, that the companies may not be able to meet their current financial obligations in a timely manner. In view of the cost-intensive expansion of the mobile network over the next few years, a longer-term financial plan is prepared in addition to the short-term liquidity outlook to ensure the 1&1 Group's solvency and financial flexibility at all times. We assume that we will be able to service the investments in the mobile network for the most part from the existing liquidity and the future cash flow from operating business. In addition, 1&1 has a credit balance of €319 million and a credit line of €200 million available at any time via the cash management agreement with United Internet AG.

The Group has established standardised processes and systems for managing its bank accounts and internal clearing accounts and for executing automated payment transactions. In addition to operating liquidity, the Group also maintains further liquidity reserves that can be accessed at short notice.

There is no significant concentration of liquidity risk within the Group.

The following table shows the maturities of liabilities as of 31 December 2024 and 31 December 2023 in accordance with the contracts concluded between the Group and third parties and related parties. The individual annual columns in the table show the repayment plus the contractually stipulated minimum interest payment.

Liquidity outflow from principal and interest in the financial year 2024

	Carrying amount 31/12/2024 €k	2025 €k	2026 €k	2027 €k	2028 €k	> 2028 €k	Total €k
Trade accounts payable	349,454	349,454	0	0	0	0	349,454
Liabilities due to associated companies	163,283	163,283	0	0	0	0	163,283
Other financial liabilities	1,145,494	109,250	176,740	162,787	163,121	798,746	1,410,644

The payments for other financial liabilities mainly comprise payments for the radio 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) for the construction of mobile network sites in so-called ‘white spots’. In doing so, 1&1 is helping to close existing coverage gaps and, by building the antenna sites, is contributing to improving mobile coverage in rural areas. In return, the Group benefits from the agreement to pay for the costs of the acquired 5G frequencies in instalments. This means that the licence costs originally to be paid in 2019 and 2024 can now be transferred to the federal government in instalments until 2030. The payment obligations to the federal government do not follow a linear pattern and will increase from €61 million to €128 million from the 2026 financial year onwards.

Liquidity outflow from principal and interest in the financial year 2023

	Carrying amount 31/12/2023 €k	2024 €k	2025 €k	2026 €k	2027 €k	> 2027 €k	Total €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	988,892	113,134	148,107	145,836	145,861	502,061	1,054,999

*The disclosure of salary liabilities was adjusted for the 2023 reporting year. Due to their nature, salary liabilities were reclassified from financial liabilities to non-financial liabilities.

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 receivables

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 both in its operating business activities (especially trade receivables) and in its investments, 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. They are calculated using expectations, which are essentially based on actual historical data.

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 M 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 2024 are presented below:

	2024 €k	2023 €k
Write-offs on rights of use		
- Land and buildings	9,671	9,293
- Fixtures, fittings and equipment	2,343	2,218
- Licences	1,591	1,591
- Network infrastructure	12,210	2,061
Total write-offs on rights of use	**25,815**	**15,163**
Interest expenses from leases	**14,148**	**4,711**
Expenses for short-term leasing liabilities	**852**	**1,002**
Expenses for leases for a low-value asset	**0**	**0**

There was an outflow of funds in the amount of €14,138k (previous year: €12,078k) related to lease liabilities during the reporting period.

The usage rights 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 usage rights according to the classes of the underlying assets resulted as at 31 December 2024:

	Carrying amount at 31/12/2024 €k	Carrying amount at 31/12/2023 €k
Network infrastructure	346,405	101,657
Land and buildings	87,441	86,874
Fixtures, fittings and equipment	5,361	5,821
Licences	1,591	3,182

The additions to the usage rights for financial year 2024 are as follows:

	Additions according to IFRS 16 €k
Network infrastructure	258,627
Land and buildings	10,544
Fixtures, fittings and equipment	1,909
Licences	0

Leasing obligations existing as at 31 December 2024 will result in outgoing payments in the following years:

	31/12/2024 €k	31/12/2023 €k
Up to 1 year	20,218	17,996
1 to 5 years	72,900	47,480
More than 5 years	319,841	123,031
Total	**412,959**	**188,507**

The extension options not included in the valuation according to IFRS 16 will result in future payment obligations of €492 M (31/12/2023: €133 M) 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 2024:

	31/12/2024 €k	31/12/2023 €k
Other miscellaneous obligations	1,157,109	1,110,574

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 €852k as at 31/12/2024 (31/12/2023: €1,002k).

The Group has acquired network capacities comprising data volume as well as voice and text message allotments from Telefónica pursuant to binding provisions of the MBA MVNO agreement for the term of the agreement to June 2025. The capacity that must be purchased pursuant to the MBA MVNO agreement is 20 percent to 30 percent of the used capacity of the Telefónica network. With the conclusion of the national roaming agreement, 1&1 is able to reduce or increase the acquired quotas on a quarterly basis to a certain extent. The minimum purchases that still need to be made by June 2025 amount to a low three-digit million amount. An exact amount cannot be determined as the payments are dependent on various contractual variables as well as the future reduction or increase in capacity. Since summer 2024, 1&1 has been using national roaming services from Vodafone as planned and is gradually reducing the procurement of wholesale services from Telefónica Germany.

The national roaming contract with Vodafone includes a minimum remuneration of €50 million per contract year over the basic term of 5 years. This means that as of 31 December 2024, until the end of the basic term of the contract, there will be a total minimum remuneration of €217 million. 1&1 is entitled to extend the national roaming contract twice for another 5 years after the basic term.

Investment expenditures for which there are contractual obligations in subsequent years per the balance sheet date amount to €87,691k (31/12/2023: €332,317k). 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 €68,078k (31/12/2023: €265,610k) and for intangible assets in the amount of to €19,613k (31/12/2023: €66,707k). Cash outflows are essentially expected in financial year 2025.

In financial year 2024, there are also other financial obligations from trade relationships in the amount of approximately €1,058,746k (31/12/2023: €737,513k) that are related to the rollout and operation of 1&1's own mobile network. Of this figure, around €321,495k (31/12/2023: €332,641k) relates to obligations to the affiliate 1&1 Versatel GmbH. These obligations essentially result from a long-term contract and are expected to be due in constant amounts 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 delivery and service relationships amounting to around €635,337k (31 December 2023: €285,000k) relate to Vodafone's national roaming services.

In addition, around €62,657k (previous year: €74,872k) 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 2025 to 2027 with annually increasing amounts in a range between €18,552k and €22,552k.

Moreover, other financial obligations arise from a sponsorship agreement in the amount of €9,820k (previous year: €30,430k). The obligations are in place until June 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.

In addition, a purchase contract results in purchase obligations until 30 September 2027, amounting to €182,087k in the short term and €673,465k in the long term.

46. Consolidated statement of cash flows

In the fiscal year 2024, cash flow from investing activities includes interest receipts of €19,053k (prior year: €15,749k), which mainly result from interest on the cash investment at United Internet AG.

Interest payments of €45,458k (prior year: €19,671k) are shown in cash flow from financing activities and mainly include interest-related payments of €31,387k in connection with the acquisition of 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 network sites in so-called 'white spots', which means that the investment costs are similar to interest.

The tax payments for the 2024 financial year in the amount of €217,030 (previous year: €137,490) mainly relate to current corporate income tax including the solidarity surcharge and current trade tax. The tax receipts for income taxes amount to €17,666 (previous year: €796). Tax receipts and payments are recognised in the cash flow from operating activities.

The initial recognition of the 5G radio spectrum in the 2019 financial year was carried out against the backdrop of the agreement with the federal government to pay in instalments, thereby extending the balance sheet and thus having no impact on cash. The instalment of €61,266 thousand (previous year: €61,266 thousand) to be paid in the 2024 financial year was recognised in the cash flow from financing activities.

Leases are generally recognised in a cash-neutral manner upon initial recognition. Current payments include interest and principal components and are reported in cash flow from financing activities.

As in the previous year, outgoing payments in connection with dividend payments amount to €8.8 million and are reported in cash flow from financing activities.

With regard to the change in receivables from / liabilities to related parties, repayments from the short-term investment of liquid funds in the amount of €91 million (previous year: repayments in the amount of €155 million) are included in the cash flow from investing activities. With regard to the change in other financial liabilities, payments of EUR 121 million (previous year: EUR 93 million) are included in the cash flow from financing activities. In the reporting year 2024, these primarily relate to payments for the liabilities from 5G radio spectrum, which are unchanged from the previous year.

The composition of the financial resources fund corresponds to the item 'Cash and cash equivalents' from the balance sheet.

The change in liabilities from financing activities for the financial years 2023 and 2024 is as follows:

		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**

		Cash-effective changes		**Non-cash changes**		
	01/01/2024	Repayment	Other	Incurrence of liabilities	Interest expense	31/12/2024
	€k	€k	€k	€k	€k	€k
Frequency liabilities	763,857	–61,266	0	0	0	702,591
Leasing obligations	188,507	–14,138	0	224,442	14,148	412,959
Liabilities expansion white spots	5,269	0	–31,310	20,410	5,631	0
Total liabilities from financing activities	**957,633**	**–75,404**	**–31,310**	**244,852**	**19,779**	**1,115,550**

47. Auditor's Fees

In financial year 2024, auditor's fees in the amount of €1,365k were recorded in the consolidated financial statements. This figure breaks down into €1,327k related to audits of financial statements and €38k to other assurance services. The other assurance services only concern business audits in connection with reports to the Central Office for Private Transfer 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	**2024**	**2023**
Consolidated earnings in €k	212,764	314,950
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 €	**1.21**	**1.79**

Diluted consolidated earnings per share in €	**2024**	**2023**
Consolidated earnings in €k	212,764	314,950
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	895,993	177,371
Weighted average less treasury shares (number)	177,195,642	176,477,020
Diluted consolidated earnings per share in €	**1.20**	**1.78**

49. Dividend per Share

The Annual General Meeting of 1&1 AG on 16 May 2024 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 2024.

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 2024 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, a dividend of €0.05 per share for the financial year 2025 would result in a total disbursement of €8.8 million.

Management Board and Supervisory Board discuss this dividend proposal for financial year 2024 in the Supervisory Board meeting on 25 March 2025.

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 (31/12/2023: 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 16 December 2024 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 2024:

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

52. Incidents After the Balance Sheet Date

In December 2024, United Internet signed a loan agreement with the Japan Bank for International Cooperation (JBIC) for up to €800 million. The financing will be provided by a direct tranche from JBIC and a tranche guaranteed by JBIC from a consortium of European and Japanese commercial banks. The funds will be used to finance the roll-out of a 5G network in Germany by the subsidiary 1&1 on the basis of Open RAN technology.

On this basis, 1&1 and United Internet entered into a loan agreement in January 2025 that enables the external financing concluded by United Internet to be passed on to 1&1. In view of upcoming investments, 1&1 drew down €290 million from this in February 2025.

On 24 March 2025, the Federal Network Agency announced its decision on the provision of low and mid-band frequencies available from January 2026. The decision is largely based on the consultation draft published in May 2024 and provides for an extension of existing frequency usage rights for Deutsche Telekom, Vodafone and Telefónica. The extension is linked to the obligation for Deutsche Telekom, Vodafone and Telefónica to provide 1&1 with part of the low-band spectrum available to them for shared use. To achieve this, the agency is requiring the established network operators to negotiate fairly with 1&1. If 1&1 is not granted permission to use low-band frequencies by 1 January 2026, the Federal Network Agency reserves the right to order this.

Montabaur, 25 March 2025

Ralph Dommermuth

Sascha D’Avis

Alessandro Nava

1&1 Aktiengesellschaft

Development of Intangible and Tangible Assets

2024	Cost of acquisition and manufacturing 01/01/2024 €k	Additions €k	Disposals €k	Transfers €k	31/12/2024 €k
Intangible assets					
Purchased software and licences	144,979	68,767	7,910	243,423	449,259
Rights similar to concessions	165,000	0	0	0	165,000
Own produced software	14,443	0	0	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	243,510	25,083	0	–243,423	25,170
Goodwill	2,932,943	0	0	0	2,932,943
Subtotal (I)	**5,413,619**	**93,850**	**7,910**	**0**	**5,499,559**
Tangible assets					
Land and buildings	324	0	5	0	319
Land from leases IFRS 16	236,954	271,080	2,256	0	505,778
Fixtures, fittings and equipment	81,263	152,969	1,656	193,634	426,210
Payments on account	251,599	106,884	2,194	–193,634	162,655
Subtotal (II)	**570,140**	**530,933**	**6,111**	**0**	**1,094,962**
Total	**5,983,759**	**624,783**	**14,021**	**0**	**6,594,521**

Accrued amortisation 01/01/2024 €k	Additions €k	Disposals €k	Transfers €k	31/12/2024 €k	Net carrying value 31/12/2023 €k	31/12/2024 €k
117,137	53,407	7,910	0	162,634	27,842	286,625
115,500	33,000	0	0	148,500	49,500	16,500
10,246	1,641	0	0	11,887	4,197	2,556
41,266	40,819	0	0	82,085	1,028,921	988,102
3,100	0	0	0	3,100	53,200	53,200
627,183	86,177	0	0	713,360	149,792	63,615
6,100	1,591	0	0	7,691	3,182	1,591
0	0	0	0	0	243,510	25,170
0	0	0	0	0	2,932,943	2,932,943
920,532	**216,635**	**7,910**	**0**	**1,129,257**	**4,493,087**	**4,370,302**
123	16	5	0	134	201	185
42,602	24,224	255	0	66,571	194,352	439,207
26,386	40,578	1,357	0	65,607	54,877	360,603
0	0	0	0	0	251,599	162,655
69,111	**64,818**	**1,617**	**0**	**132,312**	**501,029**	**962,650**
989,643	**281,453**	**9,527**	**0**	**1,261,569**	**4,994,116**	**5,332,952**

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 €k	Additions €k	Disposals €k	Transfers €k	31/12/2023 €k	Net carrying value 31/12/2022 €k	31/12/2023 €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**

Responsibility Statement (Balance Sheet Oath)

Responsibility Statement (Balance Sheet Oath)

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, 25 March 2025

Management Board

Ralph Dommermuth　　Sascha D'Avis　　Alessandro Nava

Independent Auditor´s report

To 1&1 AG, Montabaur

Report on the audit of the consolidated financial statement and of the group 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 2024, 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 2024, and Consolidated Notes, including material accounting policy information. In addition, we have audited the group management report of 1&1 AG, which is combined with the with the Company’s management report, for the financial year from 1 January to 31 December 2024. 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 IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) (the IFRS Accounting Standards) 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 2024, and of its financial performance for the financial year from 1 January to 31 December 2024, and

- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the disclosures in section "4.1 Risk report" referred to above.

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

Basis for the Audit Opinions

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

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2024. 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 4,064.3 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.

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

Non-current assets amounting in total to EUR 6,286.0 million are reported in the consolidated financial statements of 1&1 AG. Goodwill amounting in total to EUR 2,932.9 million (36.1% of total assets or 48.1% of equity) is reported under the "Goodwill" balance sheet item. Furthermore, intangible assets (spectrum) amounting to EUR 988.1 million (12.2% of total assets or 16.2% of equity) are reported under the "Intangible assets" balance sheet item that, in part, are not yet available for use and thus not subject to amortization (hereinafter "intangible assets (spectrum)").

Goodwill and intangible assets (spectrum) are tested for impairment by the Company once a year or when there are indications of impairment to determine any need for write-downs. The impairment test is carried out at the level of the respective cash-generating unit to which the goodwill or intangible assets (spectrum) are allocated. The carrying amount of the relevant cash-generating unit, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective cash-generating unit normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the adopted 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 2024

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 in section "4.1 Risk report" of the management report, which are marked as unaudited, as non-audited part of the management report.

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 group management report

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the group management report

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) 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 group management report.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of the internal control and these arrangements and measures (systems), respectively.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS Accounting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the “ESEF documents”) contained in the electronic file 1und1AG_KA+ZLB_ESEF-2024-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format (“ESEF format”). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2024 contained in the “Report on the Audit of the Consolidated Financial Statements and on the group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QMS 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 group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

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

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

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

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

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.

- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 16 May 2024. We were engaged by the supervisory board on 20 December 2024. 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 group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the group management report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Erik Hönig.

Remuneration Report 1&1 AG 2024

The following remuneration report explains the principles of the remuneration system for the Management Board and Supervisory Board members of 1&1 AG and describes the amount and structure of the remuneration for the corporate bodies in the financial year 2024. The report is prepared in accordance with the requirements of section 162 of the German Stock Corporation Act (AktG).

The report comprises two parts:

- The first part outlines the remuneration system for the Management Board and Supervisory Board, as approved by the company's Annual General Meeting on 16 May 2024.

- The second part, starting on page 14, contains the actual remuneration report for the Management Board and Supervisory Board, fulfilling the disclosure requirements under section 162 AktG.

For better readability, the masculine form is used in this report for gender-specific terms. 1&1 points out that the use of the masculine forms must be explicitly understood to include all genders.

Rounding-off differences to the mathematically precise values (monetary units, percentages, etc.) may occur in tables and in references because of the applied computational methods.

The remuneration report for the financial year 2023 was prepared in accordance with section 162 AktG and audited by the external auditor in compliance with section 162 (3) sentence 1 and 2 AktG. The remuneration report was approved by the Annual General Meeting on 16 May 2024 with a 94.7 percent majority. The remuneration report for the financial year 2024 was also prepared in accordance with section 162 AktG and audited by the external auditor in compliance with section 162(3) sentence 1 and 2 AktG. The remuneration report for 2024 will be submitted to the Annual General Meeting on 14 May 2025 for approval.

Discussions with investors yielded highly positive feedback regarding the structure and transparency of the remuneration report, with no indications for necessary improvements or suggestions for changes. Accordingly, no amendments were made to the remuneration report.

Remuneration Report of 1&1 AG

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 16 May 2024 and requested its approval. The remuneration system was adopted by 94.09 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 2024. Existing service contracts with Management Board members remain unaffected but are aligned with the provisions 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.

The remuneration system for Management Board members is designed to be simple, clear, and transparent. It complies with the requirements of the German Stock Corporation Act and, with the exceptions listed below, follows the recommendations of the German Corporate Governance Code (DCGK) as amended on 28 April 2022.

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. Once the remuneration system is determined, the Supervisory Board submits it to the Annual General Meeting for approval. If the Annual General Meeting approves the remuneration system, it will be resubmitted for approval in the event of significant changes or at least every four years. If the Annual General Meeting does not approve the remuneration system, the Supervisory Board must present a revised remuneration system at the next ordinary Annual General Meeting. The system is in compliance with the regulations of the Stock Corporation Act 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. For each individual Management Board member, the Supervisory Board determines the specific target total remuneration. This must be in a reasonable proportion to the duties and performance of the Management Board member as well as the company's situation and must not exceed the customary remuneration without special reasons.

The appropriateness of the specific total remuneration is assessed based on a comparison with other companies (horizontal comparison) as well as in relation to remuneration within the Company (vertical comparison).

The external (horizontal) comparison is based on data from companies regarded as operating in comparable industries and/or that are also listed on the TecDAX/SDAX and comparable with the Company in terms of market position, revenue and number of employees. The composition of the comparison groups is disclosed. 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 is advised by experienced remuneration consultants who are independent of the Management Board and the company. The internal (vertical) comparison is realised by the Supervisory Board’s consideration of the relationship of the Management Board remuneration to the remuneration of the Company’s senior management and workforce, including the affiliated companies of the 1&1 Group, and the development of this relationship over time. 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) perquisites and (iii) a variable, performance-related component. The variable component in turn consists of short-term and long-term components. The remuneration system provides bandwidths and limits within which the Supervisory Board moves in making the concrete assessments of each of the remuneration components and in determining the final total remuneration that includes the variable component.

Overview of the remuneration structure

Non-performance-related remuneration components	
Basic remuneration	Fixed salary, paid monthly
Fringe benefits / other remuneration	Insurance cover (D&O etc.); company car; housing, relocation, brokerage, home travel and tax accountant expenses to a certain extent; special allowances and signing bonus, if applicable
Performance-related remuneration components	
Short-term variable remuneration (STI)	Based on the achievement of certain targets (revenue and earnings ratios; operational / strategic aspects; personal performance; non-financial performance criteria (ESG)
Long-term variable remuneration (LTI)	Participation in the SAR programme; participation in the increase in value of the Company's stock; 5-year term

The total remuneration includes remuneration 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.

Contribution of remuneration to promoting the business strategy and the long-term development of the Company

The remuneration system for the Management Board members of the company is designed to compensate them in line with their areas of responsibility, performance, and the Company's success. 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 performance indicators. 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 system prompts Management 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 and perquisites
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. In the event of a mid-year entry or departure, the Management Board member receives a pro-rated annual fixed salary. In the case of inability to work due to health reasons, remuneration is continued for three months; in the case of incapacity due to an occupational accident, remuneration is continued for six months, taking into account any benefits the Management Board member receives from statutory or private health insurance for loss of earnings.

The following perquisites are offered as standard:

- Directors' and Officers' (D&O) liability insurance with a deductible in accordance with section 93(2) sentence 3 AktG and a legal expenses insurance that covers not only the Management Board member's role within the Company but also any other board memberships within the United Internet AG Group and

- a company car with private usage rights (alternatively, a car allowance or a BahnCard).

The company also provides a subsidy for health and long-term care insurance.

In addition, the following perquisites 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 fixed remuneration, each Management Board member is entitled to a Short-Term Incentive (STI), which is based on the respective financial year of the company. For the STI, a target amount is specified in the service contract of the respective Management Board member, which is earned when the agreed-upon targets are met at an average of 100 percent. The targets are set by the Supervisory Board at the beginning of every financial 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 %
Strategic goals (e.g. business development, efficiency increase, market exploitation)	5 % to 25 %
Personal strategic performance targets (e.g. responsibility for specific projects)	5 % to 25 %
Non-financial performance criteria such as concerns of groups connected with the Company (so-called stakeholders), environmental and social issues (“ESG elements”)	5 % to 20 %

The Supervisory Board may deviate from the above-mentioned recommended proportions for the weighting of the separate targets. Before the start of a performance period, the Supervisory Board determines the individual 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 financial 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.

- Strategic goals, on the other hand, set specific incentives for the achievement of certain parameters or the implementation of measures, and can more accurately reflect certain future-oriented decisions than the revenue and profit of the corporate group. These targets should be set for the Management Board as a whole.

- Personal strategic 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 performance indicators (e.g. customer satisfaction).

- ESG elements are mandatory and, in contrast to the previous categories, primarily serve the interests of groups associated with the Company and environmental objectives. This target component gives the Supervisory Board the opportunity to focus the attention of the Board members on social issues and to create an incentive to address such issues. The scope of possible topics for these targets is broad because of the diversity of interests that might come into question. In setting targets, the Supervisory Board should consequently respond dynamically to social and environmental challenges. The ESG elements are not limited to issues outside the corporate group; they should also serve to master parallel challenges within the Company and its associated companies (e.g. diversity).

As a rule, a range of 90 percent to 120 percent applies to target achievement. If the average achievement of the targets is less than 90 percent, the entitlement to payment of the STI lapses completely. If average achievement of the targets overall is greater than 120 percent, the overachievement is capped at 120 percent of the STI target. In the year of a member's hiring, especially in stub periods, the Supervisory Board can guarantee a minimum amount of STI for the first 6 to 12 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.

It is possible to set different targets for each Management Board member, but revenue and earnings targets must always be uniformly defined.

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 performance indicators 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 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 performance indicators 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.

In the case of a mid-year entry or departure, the individual target amount is reduced by 1/12 for each month in which the Management Board member is not in office, is on leave, or their service contract is suspended.

Long-term variable remuneration (long term incentive: "LTI")

A programme based on virtual stock options (Stock Appreciation Rights ("SAR") programme) serves as an LTI. The Company reserves the right to fulfil its obligation to pay out SARs at its sole discretion, either in cash or by transferring shares to the participant.

SAR programme of 1&1 AG	
Subject	Participation in the increase in value of the 1&1 AG stock
Systematics	Issue of a number of SARs that can be exercised in a specified scope at specified points in time. Vesting takes place in four steps: 1. 25% of the SARs exercisable for the first time after expiration of two years 2. Another 25% of the SARs exercisable for the first time after expiration of three years 3. Another 25% of the SARs exercisable for the first time after four expiration of years 4. The remaining 25% of the SARs exercisable for the first time after expiration of five years.
Term / Fulfilment	Term: 6 years. Full vesting of all SARs after five years. Upon expiry of the SAR program, all unexercised SARs expire without compensation; 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	- Initial waiting period of two years - Two exercise windows per year - Exercise of previously awarded SARs only - Exercise hurdle: exercisability of a vested SAR solely if at the time of exercise there has been a price increase of at least 20% on the initial price
Cap	100% of the initial price

The number of SARs issued to a member of the Management Board (on average per year of the programme) is based on the intended total remuneration for that Management Board member, assuming that the internal forecasts for the development of the stock are achieved. Taking into account the requirements of the remuneration system, in particular the maximum remuneration, it is also possible to conclude another SAR agreement during the term of an SAR agreement.

Since the value development of the SARs is linked directly to the performance of the Company's stock price and vesting takes place over a total period of 5 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.

Upon termination of the service contract, the Management Board member retains the SARs earned up to that point. However, they must exercise them within the first exercise window after the termination of the employment relationship, in accordance with the applicable exercise regulations. Otherwise, the already earned SARs expire. SARs that have not yet been earned expire without compensation. In the case of a termination without notice for good cause, even the already earned but not yet exercised SARs expire.

In special circumstances (e.g. merger, spin-off), the Supervisory Board may allow a participant to exercise SARs early. Furthermore, if certain conditions arise (e.g., stock split, company restructuring), the Supervisory Board may adjust the exercise price

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 perquisites, may not amount to a total gross sum higher than €3.5 million p.a. (maximum remuneration). Benefits in kind granted as perquisites are valued at their taxable value for payroll tax purposes.

The maximum remuneration for the CEO can be up to twice the maximum remuneration of a regular Management Board member, while the maximum remuneration for the Chief Operating Officer (COO) can be up to 1.5 times the maximum remuneration of a regular Management Board member.

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. However, for payments made to fulfil LTI claims, the term of the LTI must be taken into account when calculating the maximum remuneration. Payments from the programme must therefore be spread evenly over the years of the respective agreement's term when assessing whether the annual maximum remuneration is complied with

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 target total remuneration, taking into account the maximum 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:	15 % to 40 %	€300,000 to €600,000
STI (target amount):	5 % to 40 %	€50,000 to €400,000
LTI (target amount p.a.):	40 % to 80 %	€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 as defined in section 626 BGB, the service contract shall remain in effect for a period of 12 months (or until the original term of office expires, whichever occurs earlier).

The service relationship terminates automatically, without the need for a notice of termination, upon the granting of a permanent disability pension, but no later than the end of the month in which the Management Board member first becomes entitled to regular retirement benefits.

The Company has the right to release the Management Board member from their duties at any time in connection with the termination of the service contract, while continuing to pay the contractual remuneration and offsetting any outstanding vacation entitlements.

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. The service contracts may stipulate that the post-contractual non-compete clause shall only apply if the initial appointment to the Management Board is extended.

Claw-back clause

The 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 or long-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 performance indicators). These provisions are without prejudice to claims for damages and claims for unjustified enrichment.

If a Management Board member breaches a duty under their corporate office or employment relationship and is thus liable for damages to the company, the Supervisory Board may, at its reasonable discretion, refuse to fulfil remuneration claims beyond the fixed salary and the short- and long-term variable remuneration, either in whole or in part, or demand the repayment of already received remuneration.

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 performance indicators, 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. In the event of a merger, spin-off, or similar corporate events, or in the case of a company sale, the company may offer early exercise of SARs.

Temporary deviations from the remuneration system

The Supervisory Board may, in exceptional cases, temporarily deviate from individual components of the remuneration system if this is necessary in the interest of the Company's long-term success. This applies particularly to extraordinary and unforeseeable situations where a deviation from the remuneration system is necessary to serve the long-term interests and sustainability of the Company or to ensure its profitability. Such situations may arise due to macroeconomic conditions or company-specific circumstances. Deviations are particularly permissible in times of economic crises. The elements of the remuneration system that may be temporarily adjusted in exceptional cases include: annual fixed salary, perquisites, short-term and long-term variable remuneration components as well as the proportional structure of the remuneration components. Additionally, under the aforementioned conditions, the Supervisory Board may: grant additional remuneration components on a temporary basis or replace certain remuneration components with others, if necessary, to restore an appropriate level of incentives for the Management Board remuneration. Any changes or recalibrations made as part of such a temporary deviation from the remuneration system, along with the reasons for them, will be disclosed and explained in the remuneration report. A temporary deviation requires a formal resolution by the Supervisory Board, which must determine that a situation exists that necessitates a temporary deviation from the remuneration system in the interest of the company's long-term well-being, and define which specific deviations are considered appropriate in this context.

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 the financial year 2021.

The Supervisory Board's remuneration system

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 sentence 1 of the DCGK also provides for fixed remuneration of the Supervisory Board members.

- The Supervisory Board members receive a fixed annual remuneration of €45k. In accordance with recommendation G.17 DCGK, the remuneration for the Supervisory Board chairman and the deputy Supervisory Board chairman is higher to compensate for the greater time requirements associated with these positions. The fixed annual remuneration for the Supervisory Board chairman is €55k; the remuneration for the deputy chairman is €50k. Also in accordance with recommendation G.17 DCGK, the chairman of the Audit and Risk Committee receives an additional €20k per year, and every other member of the Audit and Risk Committee receives an additional €15k per year. The Company must support the members of the Audit and Risk Committee in obtaining necessary training and further education and must also bear the costs incurred for any such measures in a reasonable scope.

- Remuneration for Supervisory Board members who have been members of the Supervisory Board or the Audit and Risk Committee for only part of a financial 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 financial year. Out-of-pocket expenses are reimbursed immediately. In addition, the members of the Supervisory Board are reimbursed for value-added tax.

Remuneration of Corporate Bodies of 1&1 AG

Remuneration of the Management Board Members in the financial year 2024

There were three members of the 1&1 AG Management Board in the financial year 2024:

Members of the Management Board as at 31 December 2024

- Ralph Dommermuth, Company founder and Chief Executive Officer (CEO) (with the Company since 1988)
- Markus Huhn (CFO)
- Alessandro Nava (COO)

Mr. Markus Huhn stepped down from the Management Board, effective 31 December 2024. Mr. Sascha D'Avis has been promoted to CFO on the Board of Management of 1&1 AG, effective 1 January 2025.

The 1&1 AG remuneration system approved by the Annual General Meeting of 16 May 2024 sets forth the basic principles for the conclusion of new Management Board service contracts as of the Annual General Meeting 2024. The service contracts with the Management Board members Markus Huhn and Alessandro Nava have been renewed after the last shareholders meeting and fully consider the requirements of the remuneration system.

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, perquisites 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 proportion. 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 perquisites are disclosed as "granted and owed" in the financial 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 and owed" in the financial 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 and owed" in the financial 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

Remuneration granted in the pertinent reporting year

in €k	Year	Basic remuneration (Fix)		Variable remuneration (Var)		Total	Proportion Fix / Var
		Fixed salary	Fringe benefits	STI	LTI		
Ralph Dommermuth (CEO)	2024	0	0	0	0	0	-
	2023	0	0	0	0	0	-
Markus Huhn (CFO)	2024	550	6	138	0	694	80% / 20%
	2023	550	6	200	0	756	74% / 26%
Alessandro Nava (COO)	2024	700	12	139	0	809	83% / 17%
	2023	600	12	250	0	862	71% / 29%
Total	**2024**	**1,208**	**18**	**277**	**0**	**1,503**	**82% / 18%**
	2023	**1,150**	**18**	**450**	**0**	**1,618**	**70% / 30%**

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

Perquisites

The perquisites primarily consist of a company car appropriate to the position, the non-cash benefit of which is taxable.

Performance-related remuneration

The performance-related variable remuneration components serve to promote the short- and long-term development of the Company.

STI

As part of the short-term variable remuneration (STI), targets are agreed with the members of the Management Board which are intended to ensure economic success by achieving certain key performance indicators. 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 financial 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 financial 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 6 to 12 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 the financial year 2024.

Mr. Nava's target amount for short-term variable remuneration was €300k p.a. in the financial year 2024. The following STI targets were set for Mr. Huhn and Mr. Nava for the financial year 2024

STI Targets		Proportion of STI for Markus Huhn	Proportion of STI for Alessandro Nava	target attainment
Financial target I	Increase of Group's service revenues to € 3,384m	20%	20%	98%
Financial target II	Group EBITDA of € 729m	20%	20%	81%
Strategic target I	Net contract growth of 480 thousand contracts	10%	10%	27%
Strategic target II	Customer value	20%	0%	97%
Personal strategig targets: focus topic ESG	Development of an 1&1 climate strategy	10%	10%	100%
Personal strategic target: Focus topic 1 Markus Huhn	Implementation of HR measures in accordance with the HR roadmap	10%	0%	100%
Personal strategic target: Focus topic 2 Markus Huhn	Implementation of HR digitial strategy	10%	0%	100%
Personal strategic target: focus topic 1 Alessandro Nava	Migratin of customers into own mobile network	0%	10%	0%
Personal strategic target: focus topic 2 Alessandro Nava	Rollout antenna sites mobile network	0%	20%	84%
Personal strategic target: focus topic 3 Alessandro Nava	Network performance	0%	10%	92%
Total		100%	100%	

The achievement of financial targets is based on service revenue of €3,303 million and operating EBITDA of €590.9 million, as well as on operational customer growth of 130,000 for operational/strategic target I.

If target achievement falls below 90 percent, the targets are generally considered not met. The targets relating to Group EBITDA and net contract growth are therefore not considered to have been met. For the "Expansion of Mobile Network Antenna Sites" target, the Supervisory Board set a different range of 80 percent to 120 percent, meaning that this target, with an achievement rate of 84 percent, is factored into the overall target achievement.

LTI

There is a participation programme based on virtual stock options (Stock Appreciation Rights ("SAR") programme) that acts as a remuneration component with a long-term incentive effect (LTI). An SAR corresponds to a virtual subscription right to a share in the Company, i.e. it does not represent a (real) option to acquire shares in the Company. The fulfilment of SAR claims may be settled at the company's discretion, either in cash or through the transfer of one 1&1 AG share per SAR to the participant. The exercise threshold of the programme is 120 percent of the initially agreed 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 remuneration entitlement upon exercise is calculated as the difference between the opening price (closing price of the share at the time of issue) and the closing price of the share when the SARs are exercised (arithmetic mean of the last ten trading days in each case) multiplied by the number of SARs exercised and is paid in cash or by issuing a corresponding number of shares from treasury stock. The number of shares issued is calculated by dividing the calculated remuneration entitlement by the closing price of the share on the day of derecognition from the securities account of 1&1 AG.

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 5 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 the financial year 2020. The issue price was €19.07 per option. The average market value per option according to IFRS 2 was €3.64 at the time of issue. The total value of the stock-based remuneration awarded in 2020 amounted to €1,310k. In the financial year 2023, Mr. Huhn was granted an additional 1,037,000 SARs (SAR Tranche 2023). The issue price was €10.14 per option. The average market value per option according to IFRS 2 was €2.18 at the time of issue. Claims from the SAR Tranche 2023 are reduced by the gross amount or the gross equivalent value (in the case of settlement through share transfer) of benefits that Mr. Huhn receives based on the SAR Tranche 2020. The total value of the stock-based remuneration granted in 2023 amounted to €2,261k.

Mr. Alessandro Nava received a total of 600,000 SARs from the 2020 SAR tranche in the financial year 2020. The issue price was €19.07 per option. The average market value per option according to IFRS 2 was €3.64 at the time of issue. Accordingly, the total value of the stock-based remuneration awarded in 2020 amounted to €2,184k. In the financial year 2023, Mr. Nava was granted an additional 1,728,000 SARs (SAR Tranche 2023). The issue price was €10.14 per option. The average market value per option according to IFRS 2 was €2.18 at the time of issue. Claims from the SAR Tranche 2023 are reduced by the gross amount or the gross equivalent value (in the case of settlement through share transfer) of benefits that Mr. Nava receives based on the SAR Tranche 2020. The total value of the stock-based remuneration awarded in 2023 amounted to €3,767k.

For the SAR programme, a target remuneration was set at 60 percent of the maximum allowable payout under the programme. The maximum allowable payout per option is 100% of the exercise price.

In the financial year 2024, no options were exercised, and no SARs expired.

SAR tranche 2020/2023	Number of SARs per 31/12/2023	Awarded in 2024	Exercised in 2024	Expired in 2024	Number of SARs per 31/12/2024
Markus Huhn	1,397,000	0	0	0	1,397,000
Alessandro Nava	2,328,000	0	0	0	2,328,000

There are no company-financed pension commitments to Management Board members or other remuneration components. No remuneration is paid to Management Board members for Supervisory Board positions at subsidiaries. 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 performance indicators). 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.

If the member of the Management Board has breached an obligation arising from their board and/or employment relationship and is liable to pay damages to the company, the Supervisory Board of the company may, at its reasonable discretion, refuse to fulfill remuneration claims in whole or in part or demand the return of benefits already received by the member of the Management Board. Claims for damages and enrichment remain unaffected by this regulation.

Remuneration-related legal transactions and severance

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 as defined in section 626 BGB, the service contract shall remain in effect for a period of 12 months (or until the original term of office expires, whichever occurs earlier). 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 members.

There were no changes to these regulations in the financial year 2024.

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 the financial year 2024.

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 the financial year 2024.

Maximum remuneration

The existing legacy contracts of the Management Board members do not specify maximum remuneration, but they do include caps on the STI and LTI. Compliance with the maximum remuneration limit of the remuneration system can only be fully assessed once all SARs have been exercised. The granted remuneration did not exceed the maximum remuneration limit of the remuneration system for any Management Board member in the financial year 2024. A final review of the maximum remuneration will be carried out after the final settlement of the LTI remuneration in the following reports.

Remuneration of the Supervisory Board Members in Financial Year 2024

The members of the 1&1 AG Supervisory Board in the financial year 2024 were as follows:

Supervisory Board members as at 31 December 2024

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

- **Norbert Lang**
  (since 12 November 2015, Deputy Chair of the Supervisory Board since 16 May 2023, Chair 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)

At the Annual General Meeting on May 26, 2021, the Supervisory Board of 1&1 AG presented the current remuneration system for the members of the Supervisory Board and submitted it for approval. The remuneration system was approved with 99.95% of the votes cast and will apply from the 2021 financial year.

Each Supervisory Board member receives fixed remuneration of €45k per financial year, in accordance with the remuneration system. 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 financial 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 financial 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 and owed" in the financial 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 and owed" in the financial 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.

Remuneration granted to the Supervisory Board members

in €k		Fix	Attendance fee	Total	Proportion Fix / Var
	2024	70	4	74	95% / 5%
Kurt Dobitsch	2023	70	4	74	95% / 5%
	2024	70	4	74	95% / 5%
Norbert Lang	2023	68	3	71	96% / 4%
	2024	60	4	64	94% / 6%
Matthias Baldermann (c)	2023	54	4	58	93% / 7%
	2024	45	4	49	92% / 8%
Vlasios Choulidis	2023	45	3	48	94% / 6%
	2024	45	4	49	92% / 8%
Friedrich Joussen	2023	28	2	30	93% / 7%
	2024	45	4	49	92% / 8%
Christine Schöneweis	2023	28	2	30	93% / 7%
	2024	0	0	0	
Dr. Claudia Borgas-Herold (b)	2023	23	2	25	92% / 8%
	2024	0	0	0	
Kai-Uwe Ricke (b)	2023	19	2	21	90% / 10%
	2024	**335**	**24**	**359**	**93% / 7%**
Total	**2023**	**335**	**22**	**357**	**93% / 7%**

In compliance with the requirements of Section 162 (1) sentence 2, 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 2024 over 2023	Change 2023 over 2022	Change 2022 over 2021
Remuneration of the Management Board members			
Ralph Dommermuth	0.0%	0.0%	0.0%
Markus Huhn	–8.2%	+25.2%	–1.3%
Alessandro Nava	–6.2%	+21.2%	–1.1%
Remuneration of the Supervisory Board Members			
Kurt Dobitsch	0.0%	0.0%	+12.1%
Norbert Lang	0.0%	+2.9%	+13.1%
Matthias Baldermann [c]	+10.3%	+18.4%	+75.0%
Vlasios Choulidis	+2.1%	–2.0%	0.0%
Friedrich Joussen [a]	+63.3%	-	-
Christine Schöneweis [a]	+63.3%	-	-
Dr. Claudia Borgas-Herold [b]	–100.0%	–60.9%	+10.3%
Kai-Uwe Ricke [b]	–100.0%	–61.1%	+3.8%
Remuneration of employees			
Ø Remuneration of the total workforce (on an FTE basis)	+5.3%	+6.5%	+7.0%
Corporate Development			
Revenue in the Group	–0.8%	+3.4%	+1.4%
EBITDA (operating) in the Group	–9.6%	–5.7%	+3.2%
Annual result of the single company	+1.4%	n.a.	n.a.

(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 at the time of the survey 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, 25 March 2025

Ralph Dommermuth | Sascha D'Avis | Alessandro Nava

1&1 Aktiengesellschaft

Investor Relations Corner

Investor Relations Corner

Investor Relations

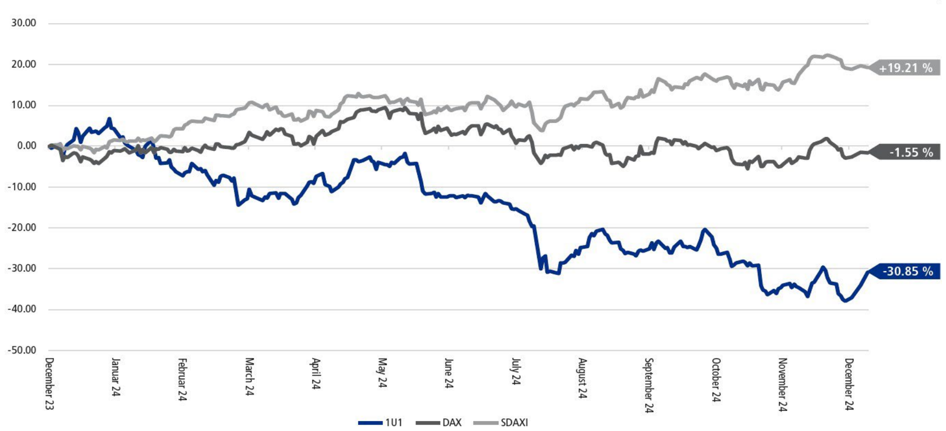
The capital market communications of 1&1 AG are conducted in conformity with the fair disclosure principle, i.e. all shareholders and interested parties are simultaneously provided with the same type of information about all important developments. The ongoing work can be followed and tracked equally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

Share Price Development

Performance in Trading Year 2024

	2023 year end	2024 year end	Change in %
1&1	€18.14	€12.60	–30.54
DAX	16,751.64	19,909.14	18.85
SDAX	13,960.36	13,711.33	–1.78
TecDAX	3,337.41	3,417.15	2.39

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 not-adjusted performace

Latest Research Notes

Current Analyst Assessments (Last revised 31 January 2025)

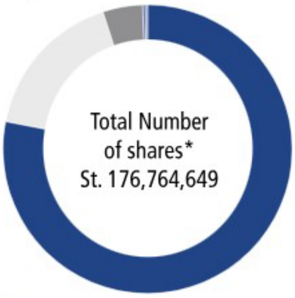
With a good strategic positioning on the German telecommunications market, the 1&1 stock is seen as offering good prospects on the capital market overall.

Analysis	Rating	Price target	Date
Bernstein	"Underweight"	€10.60	23 January 2025
Goldman Sachs	"Buy"	€15.00	15 January 2025
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

Shareholder Structure

(Last Revised 06 January 2025)



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

Norman Rentrop: 4.51% | shs. 7,971,417

Other Shareholders: 16.76 % | shs. 29,617,542

Free Float as per definition of Dt. Boerse AG: 21.42 %

* Presentation of the total positons shown above, based on the most recent notification of voting rights in accordance with Sections 33 ff. of the German Securities Trading Act. Accordingly, only voting rights notifications that have reached at least the first notification threshold of 3% are taken into account, as well as the FY 2023 report, page 59, 60.

Source: https://www.1und1.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.

Digital sovereignty
The ability of individuals, companies or states to use, control and shape digital technologies in a self-determined manner without being dependent on external providers, foreign states or monopolistic structures.

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. The migration of existing customers will be completed by the end of 2025. Wherever the new 1&1 5G network does not yet have its own coverage, national roaming will automatically take effect. By the end of 2025 at the latest, national roaming from Vodafone will be available for all 1&1 mobile customers - exclusive roaming partnership between the two network operators began in August 2024. Advance services that 1&1 still obtains from Telefónica will be completely scaled back in parallel.

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 is also available in German.

You can view and download our business and quarterly reports, ad-hoc announcements, press releases and other publications about 1&1 AG at www.1und1.ag/investor-relations-en.

Please use our online order service on our website www.1und1.ag/investor-relations-en#bestellservice

Naturally, we would also be happy to send you the desired information by post or by mail. We will be glad to help you with any personal queries by telephone.

Financial Event Calendar*

27 March 2025	Annual Report 2024, Press and Analyst Conference
12 May 2025	Quarterly Statement Q1 2025
14 May 2025	Annual General Meeting
7 August 2025	6 Month Report 2025, Press and Analyst Conference
11 November 2025	Quarterly Statement Q3 2025

*These provisional dates are subject to change.

Contact

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Markus Huhn (until 31 December 2024)
Sascha D'Avis (since 1 January 2025)
Alessandro Nava

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Norbert Lang (Deputy Chairman)
Matthias Baldermann
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