



Interim Statement

Q1 2022

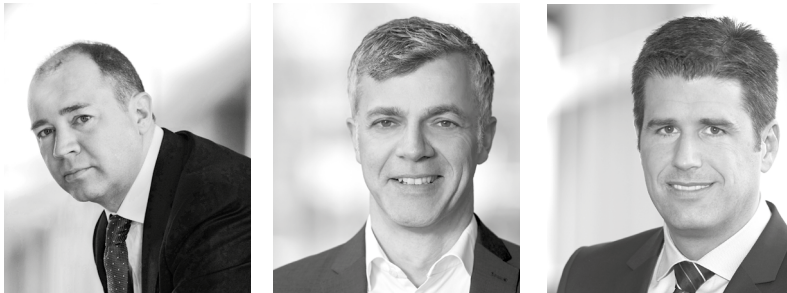
Data & Facts

Selected Performance Indicators	Q1 2022	Q1 2021	Change	Q4 2021	Q3 2021	Q2 2021
Profit (in €m)						
Revenues	975.9	973.7	0.2%	1,007.6	971.3	957.0
Service revenues	789.1	762.1	3.5%	787.6	794.1	779.6
Other revenues	186.8	211.6	-11.7%	220.0	177.2	177.4
EBITDA	187.1	202.3	-7.5%	159.3	176.5	173.2
EBITDA operating	187.1	167.9	11.4%	159.3	176.5	168.2
EBIT	146.8	162.6	-9.7%	116.2	134.2	133.7
EBIT operating	146.8	128.2	14.5%	116.2	134.2	128.7
EBIT excluding PPA write-offs	167.9	183.7	-8.6%	140.4	155.4	154.8
EBIT operating excluding PPA write-offs	167.9	149.3	12.5%	140.4	155.4	149.8
EBT	145.2	162.4	-10.6%	105.1	133.9	133.7
EBT operating	145.2	128.0	13.4%	105.1	133.9	128.7
EBT operating excluding PPA write-offs	166.3	149.1	11.5%	129.3	154.9	149.9
Profit per share (in €)	0.58	0.64	-9.4%	0.38	0.55	0.53
Profit per share operating (in €)	0.58	0.51	13.7%	0.38	0.55	0.51
Profit per share excluding PPA write-offs (in €)	0.66	0.73	-9.6%	0.48	0.63	0.61
Profit per share operating excluding PPA write-offs (in €)	0.66	0.59	11.9%	0.47	0.63	0.59
Cash flow (in €m)						
Net inflow of funds from operating activities	83.9	101.2	-17.1%	192.6	53.5	84.6
Net outflow of funds in investment sector	-77.4	-95.8	19.2%	-132.8	-49.4	-72.6
Free cash flow	62.6	97.6	-35.9%	175.9	41.2	80.0
	31/03/2022	31/12/2021	Change	31/12/2021	30/09/2021	30/06/2021
Headcount (incl. management board)						
Total per end of March	3,155	3,167	-0.4%	3,167	3,170	3,184
Customer contracts (in millions)						
Access, contracts	15.49	15.43	0.4%	15.43	15.27	15.11
of which mobile internet	11.28	11.19	0.8%	11.19	11.01	10.83
of which broadband (ADSL, VDSL, FTTH)	4.21	4.24	-0.7%	4.24	4.26	4.28
Balance sheet (in €m)						
Short-term assets	1,946.9	1,898.8	2.5%	1,898.8	1,783.8	1,759.2
Long-term assets	5,143.5	5,164.9	-0.4%	5,164.9	5,170.5	5,215.5
Shareholders' equity	5,321.4	5,219.2	2.0%	5,219.2	5,150.7	5,053.7
Balance sheet total	7,090.4	7,063.7	0.4%	7,063.7	6,954.3	6,974.6
Equity ratio	75.1%	73.9%		73.9%	74.1%	72.5%

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Letter from the Management Board



Dear Shareholders,

1&1 has made a good start to 2022. In the first quarter, once again our key performance indicators increased: customer contracts, service revenue and operating EBITDA.

An especially important focus of our activities (alongside the operating business) was on the preparations for the efficient expansion of our mobile network. In the meantime we were able to acquire two more strong partners who will join Vantage Towers in providing the passive network infrastructure and who will ideally complement our mast portfolio. The German subsidiary of American Towers Corporation, one of the world's leading radio tower companies, will make its antenna masts available to us for the installation of the 1&1 high-power antennas and contribute to a speedy and environmentally friendly rollout of the fourth German mobile network.

Moreover, GfTD will build hundreds of new antenna sites throughout Germany on behalf of 1&1. We have been working successfully with GfTD since the beginning of 2020 as part of the German government's "White Spots Programme"; 1&1 is making a contribution to closing coverage gaps by establishing antenna sites in rural areas that can be used as well by Deutsche Telekom, Vodafone and Telefónica.

We look forward to working together with our partners to drive forward the rollout of Europe's first fully virtualised mobile network based on the innovative OpenRAN technology. By the end of this year, we will have initiated the operation of 1,000 base stations – just as required by the expansion obligations relating to the 5G frequencies. As our network will initially be available solely in the proximity of these locations, we are starting with 5G mobile services as an alternative to landline connections. In summer 2023 already – once Telefónica has provided national roaming – the customers in Germany's most modern mobile network will be able to surf the internet and make phone calls throughout Germany.

We were also able to set major signposts in the landline network in the first quarter and to expand once again our fibre optic services significantly. Following the commercial agreement in the previous year, we concluded a FTTH product contract in February 2022 securing 1&1's immediate access for active marketing to all fibre optic building connections operated by Deutsche Telekom. 1&1 obtains the broadband upstream services together with network transport services and value-added such as VoIP and IP-TV from a single source – its affiliate 1&1 Versatel – whose nationwide transport network is already extensively connected to the regional broadband networks of Deutsche Telekom.

As we are one of the leading German telecommunications providers our goal is to stimulate and mould this competitive environment by offering attractive products and services. Quality and service together with attractive price are the key features that set us apart from the competition, whether for private or business customers, so it will surprise no one to learn how pleased we were about appearing once again in the leading positions of the tests conducted by the renowned trade magazine connect. In the latest "Broadband Check", for instance, 1&1 captured the award of "Test Winner" in the user profiles "Normal Users" and "Business Users" and took the overall victory in the "Customer Barometer Mobile Communications B2B" ahead of Vodafone, Telefónica and Deutsche Telekom.

Now for the operating side of the business

1&1 has continued its path of growth in fiscal year 2022 and once again increased its customer base, service revenues and comparable operating EBITDA.

We have been able to increase the number of customer contracts by 60,000 to 15.49 million contracts (31/12/2021: 15.43 million contracts). The growth was based on 90,000 newly obtained mobile internet contracts, which amount to 11,28 million by the end of first quarter 2022, while the number of broadband lines fell slightly by 30,000 to 4.21 million in the same period. This figure includes the shift effects resulting from the latest amendment of the Telecommunications Act (TKG) of about - 90,000 contracts. The operating growth adjusted for these shifts amounts to 150,000 contracts.

The high-margin service revenues increased in the first quarter of the fiscal year by €27.0 million (3.5 percent) to €789.1 million (Q1 2021: €762.1 million). Total revenues increased by €2.2 million (0.2 percent) to €975.9 million (Q1 2021: €973.7 million).

Other sales revenues – essentially from the realisation of hardware sales brought forward (in particular from investments in smartphones that will be reimbursed by the customers over the minimum contract term in the form of higher package prices) – declined by €24.8 million (11.7 percent) to €186.8 million (Q1 2021: €211.6 million). Hardware business fluctuates seasonally and its development depends heavily on the attractiveness of new devices and the model cycles of manufacturers.

Consolidated EBITDA (earnings before interest, taxes, depreciation and amortisation) decreased by €15.2 million (7.5 percent) to €187.1 million in the first quarter (Q1 2021: €202.3 million). The EBITDA of the previous year included €34.4 million in out-of-period income related to the terms and conditions of the new national roaming agreement, also under our MBA MVNO contract, applicable retroactively from 1 July 2020, which represented a retroactive correction of upstream service prices for fiscal year 2020. Excluding these out-of-period income, the comparable operating EBITDA of Q1 2021 was €167.9 million, resulting in an increase in Q1 2022 of €19.2 million (11.4 percent). The EBITDA of the "1&1 mobile network" segment included in the total EBITDA amounts to €-8.3 million in the first quarter of the fiscal year 2022 (Q1 2021: €-7.2 million) and includes the startup costs related to the planning and rollout of our mobile network.

Profit per share in Q1 2022 amounted to €0.58 (previous year: €0.64 or €0.51 without out-of-period income). Excluding the effects of the PPA write-offs, the profit per share amounted to €0.66 (previous year: €0.73 or without the effects of the PPA amortisation and out-of-period income €0.59).

Free cash flow in the first quarter of fiscal year 2022 came to €62.6 million (previous year: €97.6 million).

We are confirming our forecast for fiscal year 2022 and are not changing our expectations of an increase in high-margin service revenues to approximately €3.2 billion (2021: €3.1 billion) and an EBITDA at the level of the previous year (€671.9 million without out-of-period income). This EBITDA forecast includes an increase in the expenditures for the network rollout to approximately €70 million (2021: approximately €38 million). The number of customer contracts is expected to grow by +450,000. Investment volume (capex) is planned with approximately €400 million for the year 2022, primarily related to our network (antennas, computers and software).

Our Company is in a good position to take the next steps in our corporate development, and we are optimistic as we look ahead to the future. We want to express our special thanks to all of our employees for their commitment and work and to our shareholders and business partners for the trust they have placed in 1&1.

Best regards from Maintal,



Ralph Dommermuth



Markus Huhn



Alessandro Nava

Maintal, May 2022

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Progress report on the 1&1 mobile network

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

In the previous fiscal year 2021, 1&1 was already able to conclude cooperation agreements with key partners required for the expansion and operation of the high-performance 1&1 mobile network. This work was consistently continued in 2022. In May 2021, 1&1 concluded a long-term national roaming agreement with Telefónica Germany that ensures nationwide mobile services coverage for 1&1 customers during the rollout phase. Moreover, 1&1 has concluded a far-reaching partnership with Rakuten, a Japanese technology group and proven OpenRAN expert. Acting as the general contractor, Rakuten will construct the first fully virtualised mobile network based on the OpenRAN technology on behalf of 1&1. OpenRAN technology provides a fully cloud-based, non-proprietary network architecture. In November 2021, 1&1 concluded a long-term contract with Vantage Towers AG, one of Europe's leading radio tower infrastructure companies, that will provide as many as 5,000 antenna sites across Germany. At the same time, a contract for collaboration in the construction and operation of the mobile network was concluded between 1&1 Mobilfunk GmbH, a wholly-owned subsidiary of 1&1 AG, and 1&1 Versatel GmbH, an affiliate company in the United Internet group. Among other elements, the intercompany contract regulates the leasing of the access network (especially fibre optic lines) and data centres for the operation of the 1&1 mobile network provided by 1&1 Versatel.

During the current fiscal year, 1&1 has been able to acquire two additional partners to join Vantage Towers for provision of the passive network infrastructure. A framework agreement for the lease of antenna sites has been concluded with ATC Germany Holdings GmbH, a subsidiary of American Tower Corporation. Pursuant to this agreement, ATC will provide its antenna masts for the installation of the 1&1 high-performance antennas. ATC is one of the world's leading radio tower companies and maintains about 15,000 antenna sites in Germany.

1&1 expects the cooperation with established radio tower companies to be an important element for the efficient construction using minimal resources of Europe's first fully virtualised OpenRAN mobile network. The terms of each of the site lease agreements are for a minimum of 20 years and include multiple renewal options for 1&1.

Moreover, GfTD GmbH, our well-known partner, will act as a general contractor and construct hundreds of new antenna sites throughout Germany on behalf of 1&1. 1&1 and GfTD have been collaborating successfully since the beginning of 2020 as part of the German government's "White Spots Programme"; 1&1 is already making a contribution to closing coverage gaps by establishing antenna sites in rural areas that can be used as well by the incumbent network operators.

By the end of this year, 1&1 will have initiated the operation of 1,000 base stations – as required by the expansion obligations relating to the 5G frequency blocks. As the wireless network will initially be available solely in the proximity of these locations, 1&1 is starting with 5G mobile services as an alternative to landline connections. About one year later – after Telefónica has provided national roaming – 1&1 customers should be able to use the 1&1 mobile network.

Course of business

Development in the segment "Access"

The group's chargeable mobile access and landline products, including the related applications (such as home networks, online storage, telephony, video on demand or IPTV), are grouped together in the segment "Access". 1&1 operates exclusively in Germany, and its 15.49 million contracts make it one of the country's leading providers in the telecommunications sector. The Company uses the landline network of the affiliate 1&1 Versatel GmbH, a member company of United Internet AG Group, and the access right to the Telefónica network; in addition, it purchases standardised network services from various providers of upstream services. Access to the networks is enhanced by offerings of devices, own developments of applications and services to set the Company apart from its competitors.

The Access products are marketed via (for example) the well-known brands 1&1, smartmobil.de or yourfone, which address specific target groups on the market.

1&1 has continued to invest in the acquisition of new customers and in the retention of current customer relationships in 2022. Focus of activities has been on the marketing of mobile internet contracts.

In the fixed network, too, a key course was set in the first quarter and the fiber-optic offering was once again significantly expanded. Following the commercial agreement in the previous year, 1&1 concluded a related FTTH product agreement with Deutsche Telekom in February 2022. This means that all Deutsche Telekom's fiber-optic home connections are now available to 1&1 for active marketing. In this context, 1&1 receives the upstream broadband services from a single source from its sister company 1&1 Versatel, whose nationwide transport network is already largely connected with Deutsche Telekom's regional broadband networks.

The number of chargeable contracts in the segment "Access" rose by 60,000 to 15.49 million contracts in Q1 2022. In the mobile internet business, it was possible to acquire 90,000 customer contracts, raising the number of contracts to 11.28 million. Broadband lines declined by 30,000 contracts to 4.21 million.

The contract figures include the shift effects that are a consequence of the latest amendment to the TKG [Telecommunications Act] (shortening of the minimum contract term for automatic contract renewals) of approximately -90,000 contracts. These shifts are expected to amount to -200,000 contracts for 2022 as a whole, but they will decrease in the following quarters and ultimately affect solely fiscal year 2022. The operating growth adjusted for these shifts amounts to 150,000 contracts. Compared to Q1 2021, customer contracts in the mobile internet segment grew by 620,000.

Contract development in Q1 2022 (in millions)

	31/03/2022	31/12/2021	Change Q1
Contracts in total	15.49	15.43	+0.06
of which mobile internet	11.28	11.19	+0.09
of which broadband lines	4.21	4.24	-0.03

The Group's operating activities are mainly conducted in the reporting segment „Access“. Segment reporting is based on the internal organizational and reporting structure.

Revenues in the "Access" segment increased by €2.2 million (0.2 percent) to €975.9 million (Q1 2021: €973.7 million), and the high-margin service revenues included in this line item rose by 3.5 percent to €789.1 million (Q1 2021: €762.1 million).

Segment EBITDA is €195.4 million (Q1 2021: €209.5 million). The segment EBITDA of the previous year included €34.4 million in income related to other periods, a consequence of the terms and conditions of the new national roaming agreement that are also applicable retroactively from 1 July 2020 to the MBA MVNO upstream services agreement (comparable operating EBITDA Q1 2021: €175.1 million).

Comparable operating EBITDA in the first three months of 2022 amounted to €195.4 million and was 11.6 percent above the previous year's level.

Major revenue and profit indicators in the segment "Access"

	Q1 2022	Q1 2021	Change
Revenue (in €m)	975.9	973.7	+2.2
Service revenue (in €m)	789.1	762.1	+27.0
EBITDA (in €m)	195.4	209.5	-14.1
EBITDA operating (in €m)	195.4	175.1	+20.3

"1&1 mobile network" segment

The EBITDA in the "1&1 mobile network" segment in the amount of €-8.3 million (Q1 2021: €-7.2 million) includes solely costs related to the preparations and realisation of the rollout and operation of the Company's own 1&1 mobile network. In Q1 2022, the focus was on the conclusion of the cooperation agreements with ATC and GfTD for the construction of the passive infrastructure for the development of the 1&1 mobile network. The network is still under construction, and no sales revenues have been realised in the „1&1 mobile network" segment as of this time.

Position of the group

Earnings position

Contract customer business continues to be the growth driver for 1&1. The number of chargeable contracts increased by 60,000 over 31 December 2021 to 15.49 million.

Sales revenues rose by 0.2 percent from €973.7 million in Q1 2021 to €975.9 million in Q1 2022. The sustainable and high-margin service revenues increased by 3.5 per cent to €789.1 million. The main reason for what at first glance appears to be only a moderate increase in total sales is the fluctuation in other sales during the year, which declined by 11.7 percent from €211.6 million in the first three months of 2021 to €186.8 million in the first three months of 2022. They concern primarily revenues from the realisation of hardware sales brought forward (in particular from investments in smartphones that will be reimbursed by the customers over the minimum term of the contract in the form of higher package prices) and are low-margin revenues. Hardware revenue fluctuates seasonally and depends heavily on the attractiveness of new devices and the model cycles of manufacturers. This effect may therefore reverse again in the coming quarters. Should this not be the case, however, this would have no impact on the Group's EBITDA development.

Cost of sales increased in the first three months of 2022 by €8.0 million (1.2 percent) to €659.5 million (Q1 2021: €651.5 million). Cost of sales of the previous year included €34.4 million in income relating to other periods pursuant to the terms and conditions of the new national roaming agreement, applicable retroactively from 1 July 2020, which represent a retroactive correction of upstream service prices for fiscal year 2020. Adjusted for this effect, there was a decrease in cost of sales of €26.4 million (3.8 percent) from €685.9 million in the first three months of 2021 to €659.5 million in Q1 2022. Since the conclusion of the national roaming agreement, 1&1 has been entitled to reduce or increase the wholesale capacities ordered within contractually defined bandwidths, resulting in positive effects on the cost of sales.

The gross profit margin came to 32.4 percent (Q1 2021: 33.1 percent). Gross profit in the first three months of 2022 declined by €5.8 million (1.8 percent) from €322.2 million to €316.4 million. Adjusted for the income relating to other periods in cost of sales, gross comparable operating profit in the first three months of 2022 amounted to €316.4 million (Q1 2021: €287.8 million) and the comparable operating gross margin came to 32.4 percent (Q1 2021: 29.6 percent).

Distribution costs in the first quarter of 2022 increased by 5.6 percent over the comparable period of the previous year because of a renewed increase in advertising activities, amounting to €120.7 million (Q1 2021: €114.3 million). In relation to revenue, distribution costs in the first quarter of 2022 amounted to 12.4 percent (Q1 2021: 11.7 percent).

Administration expenses fell slightly from €31.6 million (3.2 percent of revenue) in the first three months of 2021 to €30.8 million in the first three months of 2022 (3.2 percent of revenue).

Other earnings increased to €5.6 million (Q1 2021: €4.1 million). Impairment losses on accounts receivable and contract assets amounted to €23.8 million (Q1 2021: €18.0 million). There were various factors leading to the increase in impairments on accounts receivable and contract assets. In the first quarter of fiscal year 2021, the restrictions imposed by the German government because of the coronavirus pandemic still had positive effects on the payment default rates. In 2022, significant easing of restrictions was noticeable and had a corresponding impact on payment defaults. This effect was also exacerbated by a substantial charge resulting from a significant rise in the cost of living in the first quarter of 2022. Increased hardware sales in the second half of fiscal year 2021 also have a negative impact on payment defaults.

In the first three months of 2022, the EBITDA amounted to €187.1 million (Q1 2021: €202.3 million) and was 7.5 percent below the figure for the comparable period of the previous year. Excluding the income relating to other periods arising from the national roaming agreement in the previous year, comparable operating EBITDA would have increased by 11.4 per cent to €187.1 million (Q1 2021: €167.9 million).

The EBITDA margin came to 19.2 percent (Q1 2021: 20.8 percent). The comparable operating EBITDA margin for the first three months of 2022 was 19.2 percent (Q1 2021: 17.2 percent).

Earnings before interest and taxes (EBIT) in Q1 2022 amounted to €146.8 million (Q1 2021: €162.6 million). Comparable operating EBIT was €146.8 million (Q1 2021: €128.2 million). The EBIT margin was 15.0 percent (Q1 2021: 16.7 percent) while the comparable EBIT margin was 15.0 percent (Q1 2021: 13.2 percent). Excluding the impact of PPA amortisation, the EBIT was €167.9 million (Q1 2021: €183.7 million) and comparable operating EBIT was €167.9 million (Q1 2021: €149.3 million); the EBIT margin was 17.2 percent (Q1 2021: 18.9 percent) and comparable EBIT margin was 17.2 percent (Q1 2021: 15.3 percent).

Financial results amounted to €-1.6 million (Q1 2021 year: €-0.2 million). Financing expenses comprise largely expenses similar to interest incurred because of the acquisition of the 5G frequencies and the deferral of the purchase price payment. As in the previous year, financial income resulted mainly from interest on the cash investment at United Internet AG.

Earnings before taxes (EBT) in the first three months of 2022 amounted to €145.2 million (Q1 2021: €162.4 million). Comparable operating EBT was €145.2 million (Q1 2021: €128.0 million).

Subsequent to tax expenses in the amount of €43.6 million (Q1 2021: €48.7 million), the consolidated profit amounted to €101.6 million (Q1 2021: €113.7 million).

Undiluted profit per share in the first three months of 2022 came to €0.58 (Q1 2021: €0.64). Excluding the effects of the PPA write-offs, the undiluted profit per share in the first three months of 2022 amounted to €0.66 (Q1 2021: €0.73).

The undiluted comparable operating profit per share in the first three months of 2022 came to €0.58 (Q1 2021: €0.51). The undiluted comparable operating profit per share excluding PPA write-offs amounted to €0.66 (Q1 2021: €0.59).

Major revenue and profit indicators (in €m)

	Q1 2022	Q1 2021	Change
Revenues	975.9	973.7	2.2
Service revenues	789.1	762.1	27.0
EBITDA	187.1	202.3	-15.2
EBITDA operating	187.1	167.9	19.2
EBIT	146.8	162.6	-15.8
EBIT operating	146.8	128.2	18.6

Financial position

Cash flow from operating activities amounts to €138.1 million and increased by €20.4 million compared to the first quarter of the previous year (Q1 2021: €117.7 million). Net cash inflows from operating activities of €83.9 million were below the figure for the comparable period of the previous year of €101.2 million, resulting primarily from a higher advance payment for VAT payable at the beginning of the year.

Cash flow from investing activities includes in particular payments for investments in intangible and tangible assets of €21.4 million (Q1 2021: €3.7 million) and the investment of free cash and cash equivalents of €56.0 million (Q1 2021: €92.0 million) related to the short-term investment of free cash at United Internet AG within the framework of the current cash management agreement.

Free cash flow, defined as net inflow of funds from operating activities less investments in intangible and tangible assets plus inflow of funds from disposals of intangible and tangible assets, amounted to €62.6 million in the first three months of 2022 and was lower than the figure of the previous year (Q1 2021: €97.6 million). The change results in particular from the higher and one-off advance VAT payment.

Just as in the previous year, cash flow from financing activities related exclusively to payments for the repayment of leasing liabilities (Q1 2022: €4.4 million; Q1 2021: €4.1 million).

Assets and liabilities

The balance sheet total increased from €7,063.7 million per 31 December 2021 to €7,090.4 million per 31 March 2022.

The increase of €48.1 million on the assets side was attributable solely to short-term assets while long-term assets declined by €21.4 million.

Per 31 March 2022, cash and cash equivalents amount to €6.6 million (31 December 2021: €4.6 million), and trade accounts receivable amount to €247.0 million (31 December 2021: €248.1 million). Accounts due from associated companies increased from €718.1 million per 31 December 2021 to €771.3 million per 31 March 2022, €769.0 million of which (31 December 2021: €713.0 million) comprises essentially accounts due from the short-term investment of free cash at United Internet AG.

At €94.6 million, inventories are essentially at the previous year's level (31 December 2021: €96.5 million). Short-term contract assets include in particular receivables from the sale of hardware and decreased by €3.7 million compared to the end of the year. This is a consequence of declining hardware sales in the first quarter of 2022. Prepaid expenses declined from €183.4 million to €180.2 million and relate essentially to contract costs and prepaid utilisation fees that will not be recognised through expenditures until later periods. In addition, the prepaid expenses include advance payments made for FTTH and VDSL upstream services procurements for the contingent agreement in effect since April 2021.

Other short-term financial assets amount to €29.9 million (31 December 2021: €24.9 million). Other non-financial assets declined from €13.2 million to €11.0 million and concern primarily short-term receivables from income and value-added taxes.

Long-term assets amount to €5,143.5 million per 31 March 2022 and have decreased slightly compared to 31 December 2021 (€5,164.9 million).

Tangible assets increased by €10.1 million compared to the end of the year. The additions relate in particular to investments in the 1&1 mobile network. Intangible assets fell by €28.9 million as a consequence of scheduled amortisation. The change is attributable in particular to the assets determined within the framework of the purchase price allocation on the occasion of the merger of 1&1 and Drillisch. Goodwill remains unchanged at €2,932.9 million.

Long-term contract assets rose by €5.0 million to €210.7 million per 31 March 2022. Long-term prepaid expenses fell from €272.7 million per 31 December 2021 to €264.9 million per 31 March 2022 and comprise basically advance payments made pursuant to long-term purchase contracts and long-term capitalised costs to obtain and fulfil contracts.

On the liabilities side, debt decreased by €75.5 million compared to 31 December 2021 while equity rose by €102.2 million.

Short-term debt declined from €656.0 million per 31 December 2021 to €590.1 million per 31 March 2022. Trade accounts payable amount to €234.8 million (31 December 2021: €262.6 million).

Short-term contract liabilities are unchanged and include short-term liabilities from reimbursement obligations for one-time fees for revoked contracts and deferred income from one-time fees related to the application of IFRS 15. Short-term other financial liabilities increased by €4.7 million from €120.8 million to €125.5 million. The decrease in short-term other non-financial liabilities by €33.7 million to €56.2 million relates in particular to a reduced VAT payment burden as a result of an increased advance payment compared to the previous year. Income tax liabilities amount to €56.0 million (31 December 2021: €42.0 million).

Long-term debt amounts to €1,178.9 million per 31 March 2022 over €1,188.5 million per 31 December 2021. Long-term debts in the amount of €825.1 million are unchanged with respect to the purchase price obligations from the auction of the 5G mobile frequencies disclosed under other financial obligations. Deferred tax liabilities amount to €215.0 million per 31 March 2022 (31 December 2021: €219.4 million). Long-term contract liabilities in the amount of €7.3 million (31 December 2021: €7.4 million) include deferred long-term income from one-time fees.

Group equity rose from €5,219.2 million per 31 December 2021 to €5,321.4 million per 31 March 2022. The share capital remains unchanged at €193.9 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. 1&1 AG continues to hold 465,000 own shares per 31 December 2021 so that the number of shares in circulation amounts to 176,299,649.

The increase in equity is mainly due to the consolidated profit of €101.6 million. The equity ratio amounts to 75.1 percent (31 December 2021: 73.9 percent).

Risks and opportunities report

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

Risk and opportunity management regulates the responsible handling of uncertainties that are always associated with entrepreneurial activity.

Overall statement by the Management Board on the group's risk and opportunity position

The assessment of the overall risk position is the result of the consolidated consideration of all significant risk fields or single risks, taking into account interdependencies.

The overall risk and opportunity position remained largely stable in the first three months of 2022 compared with the risk and opportunity reporting in the 2021 consolidated financial statements. No risks to the continued existence of 1&1 as a going concern were identifiable either from single risk positions or from the general risk situation during the reporting period or at the time this quarterly release was prepared.

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

Forecast report

The focus for 1&1 during fiscal year 2022 is on the sustainable development of the operating business with further customer growth and, above all, on the development of the 1&1 mobile network. 1&1 still plans to be able to fulfil the expansion obligation for the year 2022 associated with the frequency acquisition and to set up approximately one thousand locations nationwide by the end of the year. The 1&1 Management Board is also optimistic that it will be able to meet or even exceed its commitments in the coming years. Investment volume (capex) of approximately €400 million has been budgeted for fiscal year 2022, primarily for the 1&1 mobile network (antennas, computers and software).

1&1 sees no reason to change the growth targets forecast in the 2021 consolidated annual financial statements. For 2022, 1&1 expects to increase high-margin service revenue to approximately €3.2 billion (2021: €3.1 billion) and for operating EBITDA to be on par with the previous year (€671.9 million). This EBITDA forecast includes an increase in the expenditures for 5G network rollout to approximately €70 million (2021: approximately €38 million). The number of customer contracts is expected to grow by +450 thousand.

Future-oriented statements and forecasts

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

Explanatory comments on the Quarterly release

Information About the Company

1&1 Group, together with 1&1 Aktiengesellschaft, Maintal, the listed parent company (hereinafter: "1&1 AG" or, along with its subsidiaries, "1&1" or "1&1 Group"), is a telecommunications provider that operates solely and exclusively in Germany. Serving more than 15.5 million contracts, 1&1 is a leading internet specialist and is authorised to use one of the largest fibre optic networks in Germany because of its affiliation with the company 1&1 Versatel GmbH, Düsseldorf (hereinafter: "1&1 Versatel GmbH"), which is a member of the United Internet AG corporate group. As a virtual mobile network operator, 1&1 has guaranteed access to up to 30 percent of the capacity of Telefónica's mobile network in Germany (so-called Mobile Bitstream Access Mobile Virtual Network Operator = MBA MVNO). In addition, 1&1 utilises capacities in Vodafone's mobile network. The group's business unit Access offers landline and mobile network-based internet access products. They include, among others, chargeable landline and mobile access products and the related applications such as home networks, online storage, telephony, video on demand or IPTV. In addition, 1&1 is currently building Europe's first fully virtualised mobile network based on OpenRAN technology using the 5G mobile frequency blocks procured during the auction in 2019.

The address and registered office of 1&1 AG, the parent company of the group, is Wilhelm-Röntgen-Strasse 1–5 in 63477 Maintal, Germany. The Company is registered in the Commercial Register of the Hanau Local Court under the number HRB 7384.

Major accounting, valuation and consolidation principles

The quarterly release from 1&1 AG per 31 March 2022 was prepared, just as the consolidated annual financial statements per 31 December 2021, in compliance with the International Financial Reporting Standards (IFRS) as they are to be applied in the European Union (EU).

This quarterly release does not constitute an interim report within the sense of IAS 34. The accounting and valuation principles applied in the quarterly release are exactly the same as the methods applied per 31 December 2021 with the exception of the standards that must be applied for the first time, and it must be read in the context of the consolidated financial statements per 31 December 2021.

Use of assumptions and estimates

During preparation of the quarterly release, management makes discretionary decisions as well as 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 lead to results that in future require substantial restatements in the carrying value of the relevant assets or liabilities.

Use of key financial indicators relevant to business management

Financial performance indicators such as EBITDA, EBITDA margin, EBIT, EBIT margin, EBIT(DA) operating or free cash flow are used in addition to the disclosures required by the International Financial Reporting Standards (IFRS) in the Company's annual and interim financial statements to ensure a clear and transparent presentation of 1&1's business development. Information about the use, definition and calculation of these performance indicators is available starting on page 45 of the Annual Report 2021 of 1&1 AG.

The performance indicators used by 1&1 are adjusted for special effects insofar as necessary to ensure a clear and transparent presentation. As a rule, the special effects are related solely to those effects that, because of their nature, frequency and/or scope, are capable of negatively affecting the meaningfulness of the financial performance indicators for the financial and earnings development of the Company. All special effects are pointed out and explained in the relevant chapter of the financial statements for the purpose of the rollover to the unadjusted financial performance indicators.

Miscellaneous

All major subsidiaries are included in the consolidated interim financial statements. The scope of consolidation has not changed compared to the consolidated financial statements per 31 December 2021.

The quarterly release has not been audited in accordance with Section 317 Commercial Code [*Handelsgesetzbuch; HGB*] or reviewed by an auditor.

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Consolidated Comprehensive Income Statement

from 1 January to 31 March 2022

	2022 January - March €k	2021 January - March €k
Sales	975,897	973,716
Cost of sales	-659,456	-651,487
Gross profit from revenues	316,441	322,229
Distribution costs	-120,729	-114,250
Administration costs	-30,767	-31,555
Other operating income / expenses	5,604	4,129
Impairment losses from receivables and contract assets	-23,759	-17,962
Results from operating activities	146,790	162,591
Financing expenses	-1,915	-405
Financial income	313	218
Profit before taxes	145,188	162,404
Tax expenses	-43,628	-48,736
Consolidated profit	101,560	113,668
Profit per share (in €)		
- undiluted	0.58	0.64
- diluted	0.58	0.64
Weighted average number of shares outstanding (in millions)		
- undiluted	176.30	176.26
- diluted	176.61	176.26
Rollover to total consolidated profit		
Consolidated profit	101,560	113,668
Other results	0	0
Total consolidated profit	101,560	113,668

Consolidated Balance Sheet

per 31 March 2022

	31/03/2022 €k	31/12/2021 €k
Assets		
Short-term assets		
Cash and cash equivalents	6,633	4,555
Trade accounts receivable	247,028	248,106
Receivables due from associated companies	771,287	718,091
Inventories	94,556	96,469
Contract assets	606,316	610,046
Prepaid expenses	180,157	183,410
Other financial assets	29,948	24,926
Other non-financial assets	10,989	13,192
	1,946,914	1,898,795
Long-term assets		
Other financial assets	2,055	1,935
Tangible assets	153,064	142,978
Intangible assets	1,579,842	1,608,742
Goodwill	2,932,943	2,932,943
Contract assets	210,723	205,665
Prepaid expenses	264,889	272,672
	5,143,516	5,164,935
Total assets	7,090,430	7,063,730

	31/03/2022 €k	31/12/2021 €k
Liabilites and equity		
Short-term liabilities		
Trade accounts payable	234,818	262,592
Liabilities due to associated companies	62,610	85,162
Contract liabilities	48,502	48,701
Other provisions	6,441	6,777
Other financial liabilities	125,549	120,812
Other non-financial liabilities	56,187	89,940
Income tax liabilities	56,016	42,017
	590,123	656,001
Long-term liabilities		
Contract liabilities	7,338	7,447
Other provisions	42,377	43,576
Other financial liabilities	914,223	918,122
Deferred tax liabilities	214,962	219,383
	1,178,900	1,188,528
Total liabilities	1,769,023	1,844,529
Equity		
Share capital	193,930	193,930
Capital reserves	2,436,753	2,436,106
Cumulative consolidated results	2,691,603	2,590,044
Other equity	-879	-879
Total equity	5,321,407	5,219,201
Total liabilities and equity	7,090,430	7,063,730

Consolidated Cash Flow Statement

from 1 January to 31 March 2022

	2022 January - March €k	2021 January - March €k
Results from operating activities		
Consolidated profit	101,560	113,668
Allowances for rollover of consolidated profit to incoming and outgoing payments		
Amortisation and depreciation on intangible and tangible assets	16,652	16,039
Depreciation on assets capitalised within the framework of corporate acquisitions	23,645	23,645
Personnel expenses from employee stock ownership programmes	647	420
Changes in the adjustment items for deferred tax assets	-4,422	-1,812
Correction profits/losses from the sale of tangible assets	0	-4
Non-cash income unrelated to the accounting period	0	-34,400
Other items not affecting payments	0	135
Cash flow from operating activities	138,082	117,691
Changes in assets and liabilities		
Change in receivables and other assets	-1,741	-20,779
Change in contract assets	-1,327	-34,186
Change in inventories	1,913	-7,128
Change in prepaid expenses	11,037	14,579
Change in trade accounts payable	-27,774	817
Change in other provisions	-1,535	-1,767
Change in income tax liabilities	13,999	18,217
Change in other liabilities	-28,712	33,525
Change in receivables due from/liabilities due to associated companies	-19,748	-20,959
Change in contract liabilities	-308	1,230
Changes in assets and liabilities, total	-54,196	-16,451
Net inflow of funds from operating activities	83,886	101,240

	2022 January - March €k	2021 January - March €k
Cash flow from investments		
Investments in intangible and tangible assets	-21,384	-3,720
Inflow of funds from disposal of intangible and tangible assets	84	95
Investments in other financial assets	-121	-135
Outflow of short-term investment	-56,000	-92,000
Net outflow of funds in investment sector	-77,421	-95,760
Cash flow from financing sector		
Repayment of leasing liabilities and rights of use	-4,387	-4,064
Net outflow of funds in financing sector	-4,387	-4,064
Net increase/decline in cash and cash equivalents	2,078	1,416
Cash and cash equivalents at beginning of fiscal year	4,555	4,360
Cash and cash equivalents at end of reporting period	6,633	5,776

Consolidated Change in Equity Statement

in Fiscal Years 2022 und 2021

	Share capital		Capital reserves	Cumulative consolidated results	Other equity	Total equity
	Denomination	€k	€k	€k	€k	€k
Per 1 January 2021	176,264,649	193,891	2,432,054	2,228,835	-1,020	4,853,760
Consolidated profit				113,668		113,668
Total results				113,668		113,668
Employee stock ownership programme			420			420
Per 31 March 2021	176,264,649	193,891	2,432,474	2,342,503	-1,020	4,967,848
Per 1 January 2022	176,299,649	193,930	2,436,106	2,590,044	-879	5,219,201
Consolidated profit				101,560		101,560
Total results				101,560		101,560
Employee stock ownership programme			647			647
Per 31 March 2022	176,299,649	193,930	2,436,753	2,691,603	-879	5,321,407

Segment reporting

from 1 January to 31 March 2022

	Access €k	1&1 mobile network €k	Total €k
Revenues with third parties	789,070	0	789,070
Hardware and Other revenues	186,827	0	186,827
Segment revenues	975,897	0	975,897
Cost of materials for segment	-653,459	0	-653,459
Gross profit for segment	322,438	0	322,438
Segment EBITDA	195,419	-8,332	187,087
Segment EBITDA operating	195,419	-8,332	187,087
Customer contracts (in millions)	15.49	-	15.49

from 1 January to 31 March 2021

	Access €k	1&1 mobile network €k	Total €k
Revenues with third parties	762,112	0	762,112
Hardware and Other revenues	211,604	0	211,604
Segment revenues	973,716	0	973,716
Cost of materials for segment	-646,080	0	-646,080
Gross profit for segment	327,636	0	327,636
Segment EBITDA	209,445	-7,170	202,275
Segment EBITDA operating	175,045	-7,170	167,875
Customer contracts (in millions)	14.97	-	14.97

Other

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Financial Events Calendar*

18 May 2022	Annual General Meeting (virtual)
4 August 2022	6-Month Report 2022, Press and Analyst Conference
10 November 2022	Quarterly Statement Q3 2022

* These provisional dates are subject to change.

Contacts

Our Investor Relations and Press Department will be glad to answer any questions you may have concerning 1&1 AG and the Interim Statement.

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Legal Information

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Markus Huhn

Alessandro Nava

Supervisory Board:

Kurt Dobitsch (Chairman)

Kai-Uwe Ricke (Deputy Chairman)

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Vlasios Choulidis

Norbert Lang

Commercial Register Entry:

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Tax No.: 03522506037

Offenbach City Tax Office

Disclaimer:

Due to calculation processes, tables and references may produce rounding differences from the mathematically exact values (monetary units, percentage statements, etc.). This Interim Statement is available in German and English. Both versions can also be downloaded from www.1und1.ag. In all cases of doubt, the German version shall prevail.

Future-oriented Statements:

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



1&1 AG

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