



## Half-Year Report 2022

# Facts & Figures

Selected Performance Indicators	H1 2022	H1 2021	Change	Q2 2022	Q2 2021	Change	Q1 2022	Q4 2021	Q3 2021
<b>Profit (in €m)</b>									
Revenues	1,952.0	1,930.7	1.1%	976.1	957.0	2.0%	975.9	1,007.6	971.3
Service revenues	1,581.9	1,541.7	2.6%	792.8	779.6	1.7%	789.1	787.6	794.1
Hardware and other revenues	370.1	389.0	-4.9%	183.3	177.4	3.3%	186.8	220.0	177.2
EBITDA	368.2	375.5	-1.9%	181.1	173.2	4.6%	187.1	159.3	176.5
<b>EBITDA operating</b>	<b>368.2</b>	<b>336.1</b>	<b>9.6%</b>	<b>181.1</b>	<b>168.2</b>	<b>7.7%</b>	<b>187.1</b>	<b>159.3</b>	<b>176.5</b>
EBIT	287.7	296.3	-2.9%	140.9	133.7	5.4%	146.8	116.2	134.2
<b>EBIT operating</b>	<b>287.7</b>	<b>256.9</b>	<b>12.0%</b>	<b>140.9</b>	<b>128.7</b>	<b>9.5%</b>	<b>146.8</b>	<b>116.2</b>	<b>134.2</b>
EBIT excluding PPA write-offs	330.0	338.5	-2.5%	162.1	154.8	4.7%	167.9	140.4	155.4
<b>EBIT operating excluding PPA write-offs</b>	<b>330.0</b>	<b>299.1</b>	<b>10.3%</b>	<b>162.1</b>	<b>149.8</b>	<b>8.2%</b>	<b>167.9</b>	<b>140.4</b>	<b>155.4</b>
EBT	284.5	296.1	-3.9%	139.3	133.7	4.2%	145.2	105.1	133.9
<b>EBT operating</b>	<b>284.5</b>	<b>256.7</b>	<b>10.8%</b>	<b>139.3</b>	<b>128.7</b>	<b>8.2%</b>	<b>145.2</b>	<b>105.1</b>	<b>133.9</b>
<b>EBT operating excluding PPA write-offs</b>	<b>326.8</b>	<b>299.0</b>	<b>9.3%</b>	<b>160.5</b>	<b>149.9</b>	<b>7.1%</b>	<b>166.3</b>	<b>129.3</b>	<b>154.9</b>
Profit per share (in €)	1.13	1.18	-4.2%	0.55	0.53	3.8%	0.58	0.38	0.55
<b>Profit per share (in €) operating</b>	<b>1.13</b>	<b>1.02</b>	<b>10.8%</b>	<b>0.55</b>	<b>0.51</b>	<b>7.8%</b>	<b>0.58</b>	<b>0.38</b>	<b>0.55</b>
Profit per share (in €) excluding PPA write-offs	1.30	1.34	-3.0%	0.64	0.61	4.9%	0.66	0.48	0.63
<b>Profit per share operating excluding PPA write-offs (in €)</b>	<b>1.30</b>	<b>1.19</b>	<b>9.2%</b>	<b>0.64</b>	<b>0.59</b>	<b>8.5%</b>	<b>0.66</b>	<b>0.47</b>	<b>0.63</b>
<b>Cash flow (in €m)</b>									
Net inflow of funds from operating activities	238.0	185.8	28.1%	154.1	84.6	82.2%	83.9	192.6	53.5
Net outflow of funds in investment sector	-220.4	-168.4	-30.9%	-143.0	-72.6	-97.0%	-77.4	-132.8	-49.4
Free cash flow	186.8	177.6	5.2%	124.2	80.0	55.3%	62.6	175.9	41.2
	<b>30/6/2022</b>	<b>31/12/2021</b>	<b>Change</b>	<b>30/6/2022</b>	<b>31/12/2021</b>	<b>Change</b>	<b>31/3/2022</b>	<b>31/12/2021</b>	<b>30/9/2021</b>
<b>Headcount (incl. management board)</b>									
Total per end of June	3,145	3,167	-0.7%	3,145	3,167	-0.7%	3,155	3,167	3,170
<b>Customer contracts (in millions)</b>									
Access. contracts	15.55	15.43	0.8%	15.55	15.43	0.8%	15.49	15.43	15.27
of which mobile internet	11.38	11.19	1.7%	11.38	11.19	1.7%	11.28	11.19	11.01
of which broadband (ADSL, VDSL, FTTH)	4.17	4.24	-1.7%	4.17	4.24	-1.7%	4.21	4.24	4.26
<b>Balance sheet (in €m)</b>									
Short-term assets	2,149.5	1,898.8	13.2%	2,149.5	1,898.8	13.2%	1,946.9	1,898.8	1,783.8
Long-term assets	5,258.7	5,164.9	1.8%	5,258.7	5,164.9	1.8%	5,143.5	5,164.9	5,170.5
Shareholders' equity	5,410.6	5,219.2	3.7%	5,410.6	5,219.2	3.7%	5,321.4	5,219.2	5,150.7
Balance sheet total	7,408.2	7,063.7	4.9%	7,408.2	7,063.7	4.9%	7,090.4	7,063.7	6,954.3
Equity ratio	73.0%	73.9%		73.0%	73.9%		75.1%	73.9%	74.1%

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## Letter from the Management Board



**Dear Shareholders,**

1&1 continued its path of growth in the first half of 2022 and again increased its customer base, operating EBITDA and service revenues.

The first six months were marked in particular by the construction of our mobile network based on the innovative OpenRAN-technology that was taking place alongside our operating business. In specific we started the expansion in urban areas and the first antennas and data centres are already in operation.

On this basis, a fixed-network replacement product implemented via mobile communications was tested under real conditions in a Friendly User Test launched in July. The 1&1 OpenRAN delivered the predicted performance values with speeds of 1 Gbit/s, latency times of 3 ms for gaming applications in the EDGE cloud, and stable data transfers of more than 8 terabytes per customer within 24 hours.

In the coming months, we will gradually put further functions into operation. This relates in particular to telephony, for which our mobile network will be connected with various networks in Germany and abroad. And in summer 2023, the national roaming service agreed with Telefónica Deutschland will be added. This will enable us to provide our customers with nationwide coverage even during the years of network roll-out.

In the Broadband segment, key guideposts were set in the first half of the year and the 1&1 fiber-optic offering was significantly expanded. Since February 2022, 1&1 has been able to actively market all Deutsche Telekom's fiber-optic home connections. In this context, we receive all broadband pre-services from a single source from our sister company 1&1 Versatel, whose nationwide transport network is already largely connected to Deutsche Telekom's regional broadband networks.

Our position as a leading provider that satisfies fully its customers with high performance products, but above all with quality and service, has been highlighted by numerous awards in recent months. In the "Broadband Check" of the first quarter conducted by the trade journal connect, 1&1 captured the award of "Test Winner"

in the user profiles "Normal Users" and "Business Users". In addition, 1&1 took the overall victory in the "Customer Barometer Mobile Communications B2B" ahead of Vodafone, Telefónica and Deutsche Telekom. In the reputable connect landline network test (issue 8/2022), 1&1 posted a score of "Excellent" and the result of 916 out of 1,000 possible points was outstanding.

In this year's recommendation ranking by Focus Money magazine, 1&1 was noted at 35.2, the highest recommendation ranking in the telecommunications category. In other words, no telecommunications company in Germany is recommended to family, friends and acquaintances as often as 1&1. What is more, the recommendation score of 35.2 points placed 1&1 as the second-highest ranking overall among all 1,355 companies from 81 industries that were surveyed. We are truly delighted with these results, and they are an incentive for us to increase further our high standards of product performance, quality and service in the future.

### **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 were able to increase the number of customer contracts by 120,000 to 15.55 million contracts (31/12/2021: 15.43 million). The growth was based on 190,000 new Mobile Internet contracts (+300,000 operational growth less -110,000 contracts due to TKG effect), bringing the total to 11.38 million at the end of the first half of 2022. At the same time the number of broadband lines fell by 70,000 contracts (-10,000 operational and -60,000 contracts due to TKG effect) to 4.17 million in the same period.

The high-margin service revenues increased in the first half of fiscal year 2022 by €40.2 million (2.6 percent) to €1.582 billion (HY1 2021: €1.542 billion). Total revenues increased by €21.3 million (1.1 percent) to €1.952 billion (HY1 2021: €1.931 billion).

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 €18.9 million (4.9 percent) to €370.1 million (HY1 2021: €389.0 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 €7.3 million (1.9 percent) to €368.2 million in the first half of the year (HY1 2021: €375.5 million). The EBITDA of the previous year included €39.4 million in out-of-period income related to the terms and conditions of the new national roaming agreement and applicable retroactively to our MBA MVNO agreement from 1 July 2020 as well, which represented a retroactive correction of upstream service prices for fiscal year 2020. Excluding

this out-of-period income, the comparable operating EBITDA of HY1 2021 was €336.1 million, resulting in an increase in HY1 2022 of €32.1 million (9.6 percent). The EBITDA of the "1&1 mobile network" segment contained in the total EBITDA of the first half of fiscal year 2022 amounts to €-16.1 million (HY1 2021: €-14.9 million) and includes the costs related to the rollout of our mobile network.

Earnings per share in the first half of 2022 amounted to €1.13 (previous year: €1.02 excluding out-of-period income). Precluding the effects of the PPA write-offs, the profit per share amounted to €1.30 (previous year: €1.19 excluding out-of-period income).

Free cash flow in the first half of fiscal year 2022 came to €186.8 million (HY1 2021: €177.6 million). The free cash flow of the previous year includes advance payments of €213.4 million from the (combined) FTTH/VDSL allotment agreement that has been in effect since April 2021. In the previous year, offsetting effects were recorded in particular in liabilities to related parties (due to later settlement of advance broadband services) and in other non-financial liabilities (as a result of changes in value-added tax regulations for telecommunications services purchased). We will also make advance payments from future allotments in fiscal year 2022 related to the FTTH/VDSL allotment agreement, but they will not become due until the third quarter of 2022 and do not burden the free cash flow of the first half of 2022.

We confirm our forecast for fiscal year 2022 and continue to expect 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, excluding out-of-period income). This EBITDA forecast includes the expenditures for the construction of our mobile network of approximately €70 million (2021: approximately €38 million). The number of customer contracts is expected to grow by +450,000. The investment volume (capex) should be around €400 million in 2022 and will relate above all to the mobile 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 Montabaur,

The Management



Ralph Dommermuth



Markus Huhn



Alessandro Nava

Montabaur, August 2022

# Interim Group Management Report for the first six months of 2022

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# Principles of the Group

## Business model

### 1&1 Group

1&1 Group, together with 1&1 Aktiengesellschaft, Montabaur (formerly Maintal), the listed parent company (hereinafter: "1&1 AG" or, along with its subsidiaries, "1&1" or "Group"), is a telecommunications provider that operates solely and exclusively in Germany. Serving 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 preparing to construct its own mobile network using the 5G mobile frequencies that were acquired in the auction in 2019.

### **1&1 – only MBA MVNO on the German mobile market and construction of the 1&1 mobile network**

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

In 2019, 1&1 AG successfully participated in the Federal Network Agency's frequency auction and acquired 5G frequencies in the 2 GHz and 3.6 GHz bandwidths. Subsequently, the development of the Company's own mobile network was set in motion by the conclusion of major contracts with the pertinent upstream services providers and equipment outfitters. The operation of its own network will decrease 1&1's dependence

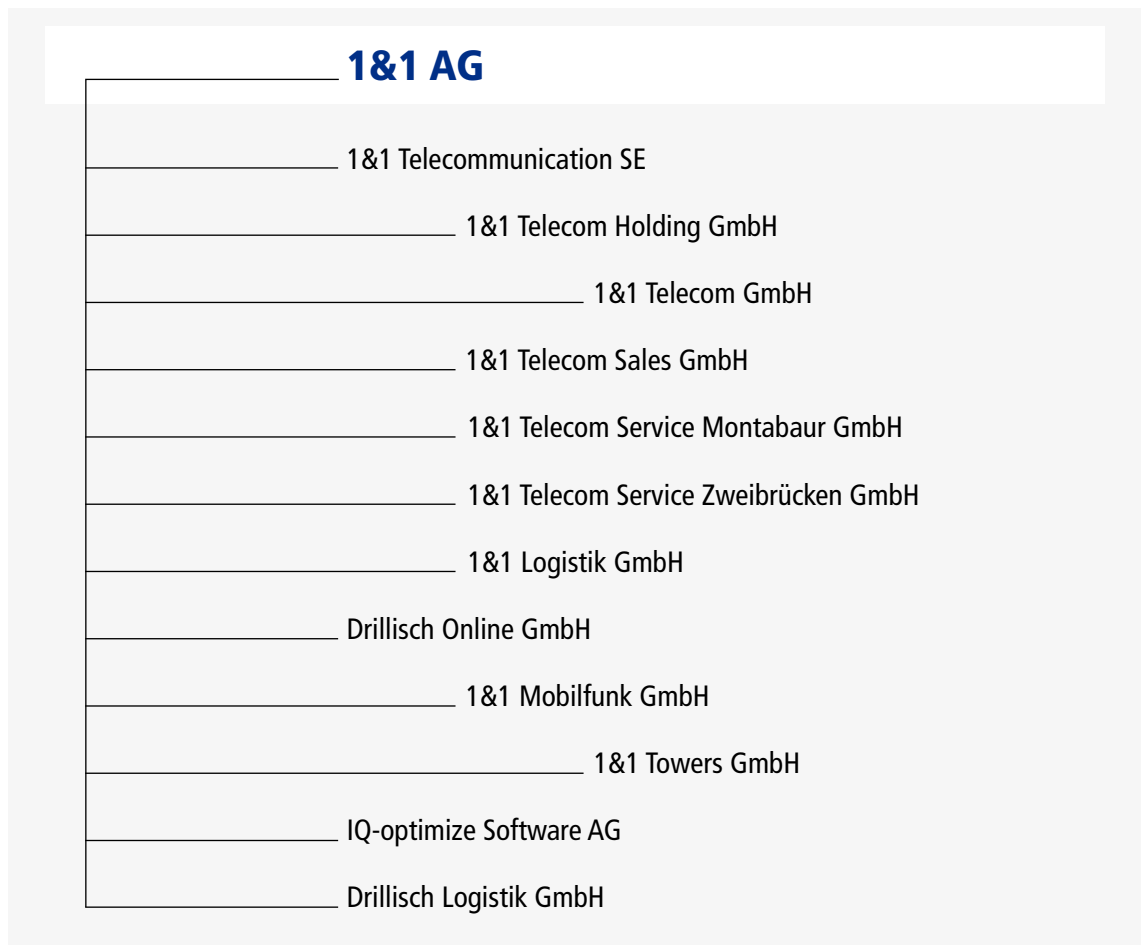
on access to external networks in the future, increase its own added value and open up opportunities to develop new business areas.

### Group structure, strategy and management

Reference is made to the explanatory comments in the group management report for fiscal year 2021 relating to the group structure, strategy and management of the Company. There have not been any significant changes here from the perspective of the Group.

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 global corporate strategy.

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



## **Business activities**

Chargeable contracts with 15.55 million subscribers make 1&1 one of the leading providers of broadband and mobile services products in Germany.

Company management and group reporting encompass the segments "Access" and "1&1 mobile network".

### **Segment "Access"**

The Group's chargeable wireless 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 solely and exclusively in Germany. The Company uses the landline network of the affiliate 1&1 Versatel GmbH, a member company of United Internet AG Group, and its access right to the Telefónica network; in addition, it purchases standardised network services from various providers of upstream services. 1&1 has access to Deutsche Telekom's broadband household connections thanks to the agreement concluded with 1&1 Versatel in fiscal year 2021, securing 1&1's participation in Deutsche Telekom's growth plans and considerable potential for future contract growth. Access to the networks is enhanced by offerings of devices, own developments of applications and services to set the Company apart from its competitors.

The Access products are marketed via the well-known brand name 1&1 and discount brands such as yourfone or smartmobil.de, which address specific target groups on the market.

### **Segment "1&1 mobile network"**

The expenditures and income relating to the establishment, expansion and future operation of the Company's own 1&1 wireless network are disclosed in the segment "1&1 mobile network".

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

1&1 was able to conclude cooperation agreements with important partners that are necessary for the expansion and operation of the high-performance 1&1 mobile network in fiscal year 2021. This work was resolutely 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. Also in 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, an agreement 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 in the United Internet group. Among other elements, the intercompany agreement 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. The first order amounts to 500 new sites. 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.

1&1 and its partners initiated operation of the first antennas and data centres in the first half of 2022, and the expansion in the urban areas is progressing. As of the end of 2022, 1&1 will have begun operation of 1,000 base stations – just as required by the expansion obligations relating to the 5G frequencies. 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. On this basis, a fixed-network replacement product implemented via mobile communications was tested under real conditions in a Friendly User Test launched in July. The 1&1 OpenRAN delivered the predicted performance values with speeds of 1 Gbit/s, latency times of 3 ms for gaming applications in the EDGE cloud, and stable data transfers of more than 8 terabytes per customer within 24 hours.

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

## General economic and industry-related conditions

### Development of the overall economy

In view of high inflation, ongoing supply chain problems, Corona restrictions in China and the consequences of the Russian attack on Ukraine, the International Monetary Fund (IMF) has once again lowered its forecasts for the vast majority of countries (including all three major economic powers in the form of the USA, China and the eurozone) in its updated economic outlook (World Economic Outlook, Update July 2022). The Fund sees the outlook as having darkened considerably since the last forecast in April 2022 and fears that the global economy will soon be on the brink of recession again - just two years after the crash following the outbreak of the coronavirus pandemic.

During the year, the IMF revised its economic expectations for the German market significantly downwards by 2.6 percentage points and now only expects economic output to increase by 1.2 percent (previous year: 2.8 percent).

### Changes in growth forecasts 2022

	Actual 2021	January forecast 2022	April forecast 2022	July forecast 2022	Deviation from January forecast
Germany	2.8 %	3.8 %	2.1 %	1.2 %	-2.6 percentage points
World economic	6.1 %	4.4 %	3.6 %	3.2 %	-1.2 percentage points

Source: International Monetary Fund, World Economic Outlook (Update), July 2022

### Development of the industry

At its 2022 semi-annual press conference, the industry association Bitkom described the excellent development of the ITC sector (ITC = information and communication technology) in Germany in the year to date

– but at the same time, its expectations for the second half of 2022 are subdued in view of the Ukraine war, “exploding” energy prices and disrupted supply chains. In June 2022, surveys by Bitkom and the ifo Institute showed that ITC companies assessed their overall business situation as excellent. The Bitkom-ifo Digital Index, which maps the business climate and is calculated from the current situation and future expectations, rose by 2.3 points to 22.8, the same level as prior to the coronavirus pandemic. The companies that believe in a continuation of the upward trend, however, are few in number. The sub-index for expectations for the coming six months is only slightly in plus (2.9 points). This is significantly lower than in the months before the Ukraine war began.

Nonetheless, the association has adjusted its growth forecast for all of 2022 from the previous 3.6 percent to 4.3 percent and now expects total revenues of €189.4 billion. The forecast for the telecommunications core market relevant for 1&1 was also raised from 0.9 percent to 1.5 percent.

### **General legal conditions/Major events**

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

As a result of the shortening of the minimum contract terms in the renewal period, there is expected to be a one-off negative impact on the contract portfolio of approximately 200,000 contracts in 2022, resulting from a shift of settlements to an earlier date. These shifts were especially noticeable at the beginning of the year and will diminish over the course of the year. In the first half of 2022, they had a negative impact of 170,000 contracts.

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

### **Employees**

Per 30 June 2022, 1&1 Group employed a workforce of 3,145 (31 December 2021: 3,167).

## Course of business

### Development in the segment "Access"

The Group's chargeable mobile and broadband access 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 15.55 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 mobile or landline networks is combined with devices, own developments of applications and services to create an extended portfolio that sets 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.

In the broadband sector, we set key guideposts during the first half of the year and once again significantly expanded our fibre optic services. In February 2022, 1&1 signed an FTTH product contract with Deutsche Telekom via its affiliate 1&1 Versatel, assuring 1&1 of its access for active marketing to all of Deutsche Telekom's fibre optic home lines. 1&1 obtains the broadband upstream services from a single source of 1&1 Versatel, whose nationwide transport network is already extensively connected to the regional broadband networks of Deutsche Telekom.

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

The number of chargeable contracts in the segment "Access" rose by 120,000 to 15.55 million contracts in the first half of 2022. The growth was based on an operational growth of 290,000 less -170,000 shifts resulting from the latest amendment of the Telecommunication Act (TKG).

It was possible to acquire 190,000 customer contracts in the mobile internet business, raising the number of contracts to 11.38 million. Adjusted for the shift effects (-110,000 contracts), operational growth amounted to 300,000 contracts. Broadband lines declined slightly by 70,000 contracts to 4.17 million, with the operating change excluding the shift effects amounting to -10,000 contracts.

**Development of contracts in the first six months of 2022 (in millions)**

	30/6/2022	31/3/2022	31/12/2021	Change HY1
Contracts in total	15.55	15.49	15.43	+0.12
of which mobile internet	11.38	11.28	11.19	+0.19
of which broadband lines	4.17	4.21	4.24	-0.07

The Group's operating business activities take place primarily in the reporting segment "Access". The segment reporting is aligned with the internal organisation and reporting structure.

Revenues in the segment "Access" increased by €21.3 million (1.1 percent) to €1,952.0 million (HY1 2021: €1,930.7 million), and the high-margin service revenues included in this line item rose by 2.6 percent to €1,581.9 million (HY1 2021: €1,541.7 million).

Segment EBITDA is at €384.3 million (HY1 2021: €390.4 million). The segment EBITDA of the previous year included €39.4 million in out-of-period income, 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 HY1 2021: €351.0 million).

Comparable operating EBITDA in the first six months of 2022 is exceeding previous year's level by €33.3 million or 9.5 percent.

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

	HY1 2022	HY1 2021	Change
Revenue (in €m)	1,952.0	1,930.7	+21.3
Service revenue (in €m)	1,581.9	1,541.7	+40.2
EBITDA (in €m)	384.3	390.4	-6.1
EBITDA operating (in €m)	384.3	351.0	+33.3

**Quarterly development: Change compared to the previous year's quarter in the "Access" segment**

	Q2 2022	Q2 2021	Change
Revenue (in €m)	976.1	957.0	+19.1
Service revenue (in €m)	792.8	779.6	+13.2
EBITDA (in €m)	188.9	181.0	+7.9
EBITDA operating (in €m)	188.9	176.0	+12.9



## Segment "1&1 mobile network"

The EBITDA in the segment "1&1 mobile network" in the amount of €-16.1 million (HY1 2021: €-14.9 million) contains solely costs related to the rollout and the preparations for the operation of the Company's own mobile network. While focus at the beginning of 2022 was on concluding the cooperation agreements with ATC and GfTD for the construction of the passive infrastructure for the rollout of the 1&1 mobile network, concentration in the second quarter was in particular on the preparations for the construction of the antenna sites and the tests for the fixed wireless access product. The network is still under construction, and no sales revenues have been realised in the segment "1&1 mobile network" 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 120,000 over 31 December 2021 to 15.55 million.

Sales revenues rose by 1.1 percent from €1,930.7 million in the first half of 2021 to €1,952.0 million in the first half of 2022. The sustainable and high-margin service revenues increased by 2.6 percent to €1,581.9 million.

The decisive factor for what at first glance appears to be only a moderate increase in total revenues is the fluctuation of hardware- and other sales revenues during the year, which decreased by 4.9 percent from €389.0 million in the first six months of 2021 to €370.1 million in the first six 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 in the coming quarters. Should this not be the case, however, it would have no impact on the EBITDA development of the group.

Cost of sales increased in the first six months of 2022 by €3.2 million (0.2 percent) to €1,317.1 million (HY1 2021: €1,313.9 million). Cost of sales of the previous year included €39.4 million in out-of-period income related to the terms and conditions of the new national roaming agreement applicable retroactively from 1 July 2020, which represented a retroactive correction of upstream service prices for fiscal year 2020. Adjusted for this effect, there was a decrease in cost of sales of €36.2 million (2.7 percent) from €1,353.3 million in the first six months of 2021 to €1,317.1 million in the first six months of 2022. Since the conclusion of the national roaming agreement, 1&1 has been entitled to reduce or increase the upstream services capacities that

were ordered within contractually defined bandwidths, which has had a positive effect on the cost of sales.

The gross profit margin came to 32.5 percent (HY1 2021: 31.9 percent). Gross profit in the first half of 2022 increased by €18.1 million (2.9 percent) from €616.8 million to €634.9 million. Adjusted for the out-of-period income in cost of sales, comparable gross operating profit in the first six months of 2021 amounted to €577.4 million and the comparable gross operating margin came to 29.9 percent.

Distribution costs in the first half of 2022 increased by 5.8 percent over the comparable period of the previous year because of a renewed increase in advertising activities and amounted to €248.8 million (HY1 2021: €235.2 million). In relation to revenue, distribution costs in the first half of 2022 amounted to 12.7 percent (HY1 2021: 12.2 percent).

Administration expenses increased slightly from €59.6 million in the first six months of 2021 to €60.2 million in the first six months of 2022 and remain unchanged at 3.1 percent of revenues.

Other earnings increased to €11.0 million (HY1 2021: €8.7 million). Impairments on accounts receivable and contract assets amounted to €49.2 million (HY1 2021: €34.4 million). The main drivers for the increase in this position are higher non-payment rates and the increased cut-off limits for defaulting customers under the renewed Telecommunications Act. During the course of 2022, the burden on people has increased noticeably since March 2022, inflation rates in Germany have been well above seven percent – the highest for many decades. This has led to an increase in defaults. In the first half of fiscal 2021, however, the restrictions imposed by the German government as a result of the coronavirus pandemic still had a positive effect on payment default rates. The increase in the cut-off limits leads to an increase in the amounts subject to a valuation allowance in the event of payment defaults.

EBITDA amounted to €368.2 million in the first half of 2022 (HY1 2021: €375.5 million) and was 1.9 percent below the figure for the comparable period of the previous year. Excluding the out-of-period income arising from the national roaming agreement in the previous year, comparable operating EBITDA would have increased by 9.6 percent (HY1 2021: €336.1 million).

The EBITDA margin came to 18.9 percent (HY1 2021: comparable operating EBITDA excluding €39.4 million out-of-period income 17.4 percent).

Earnings before interest and taxes (EBIT) in the first half of 2022 amounted to €287.7 million (HY1 2021: comparable operating EBIT €256.9 million). The EBIT margin was 14.7 percent (HY1 2021: comparable operating EBIT margin 13.3 percent). Precluding the effects from PPA write-offs, EBIT amounted to €333.0 million and the EBIT margin to 16.9 percent (HY1 2021: comparable operating EBIT €299.1 million and comparable operating EBIT-margin 15.5 percent, respectively).

The significant increase in electricity and energy costs in the course of fiscal 2022 has not had a material impact on the Group's earnings to date due to their minor significance for business operations.

Financial results amounted to €-3.2 million (HY1 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 six months of 2022 amounted to €284.5 million (HY1 2021: comparable operating EBT €256.7 million).

After deduction of tax expenses in the amount of €85.6 million (HY1 2021: €88.9 million), the consolidated profit amounted to €199.0 million (HY1 2021: €207.3 million).

Undiluted profit per share in the first half of 2022 came to €1.13 (HY1 2021: €1.02 excluding out-of-period income). Precluding the effects of the PPA write-offs, the undiluted profit per share in the first half of 2022 amounted to €1.30 (HY1 2021: €1.19 excluding out-of-period income).

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

	HY1 2022	HY1 2021	Change
Revenue	1,952.0	1,930.7	+21.3
Service revenues	1,581.9	1,541.7	+40.2
EBITDA	368.2	375.5	-7.3
EBITDA operating	368.2	336.1	+32.1
EBIT	287.7	296.3	-8.6
EBIT operating	287.7	256.9	+30.8

### Financial position

Cash flow from operating activities amounts to €273.2 million and decreased by €10.3 million compared to the first half of the previous year (HY1 2021: €283.5 million). At €238.0 million, net cash inflows from operating activities were above the figure of €185.8 million for the comparable period of the previous year. The cash flow in the first half of the previous year was burdened in particular by the advance payments of €213.4 million under the FTTH/VDSL allotment agreement that has been in effect since April 2021. Contrary effects were found in particular in the accounts due to associated companies (owing to later offsetting of broadband upstream services) as well as in the other non-financial liabilities (a consequence of changed VAT

regulations for purchased telecommunications services). The advance payments on FTTH/VDSL allotments that are also due in fiscal year 2022 have not yet been paid as the due date is after 30 June 2022; they increase the accrued expenses and the accounts due to associated companies in the balance sheet in equal measure.

In the first half of 2022, cash flow from investing activities includes for the first time significant amounts for the investments in the 1&1 mobile network, causing the investments in intangible and tangible assets to rise to €51.3 million (HY1 2021: €9.0 million). The outflow of funds from short-term cash investments of €169.0 million (HY1 2021: €160.0 million) reported in cash flow from investing activities relates to the short-term investment of free cash and cash equivalents at United Internet AG as part 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 €186.8 million in the first six months of 2022 and was higher than the figure of the previous year (HY1 2021: €177.6 million).

Just as in the previous year, cash flow from financing activities related to outflowing funds for the repayment of leasing liabilities (HY1 2022: €7.2 million; HY1 2021: €6.5 million) and to dividend disbursement (unchanged in comparison with the previous year at €8.8 million).

Cash and cash equivalents per 30 June 2022 amounted to €6.2 million (31 December 2021: €4.6 million).

### **Assets and liabilities**

The balance sheet total increased from €7,063.7 million per 31 December 2021 to €7,408.2 million per 30 June 2022.

The increase is recognised on the assets side in short-term assets (€250.7 million) and long-term assets (€93.7 million).

Per 30 June 2022, cash and cash equivalents amount to €6.2 million (31 December 2021: €4.6 million), and trade accounts receivable amount to €269.1 million (31 December 2021: €248.1 million). The increase in trade receivables is a consequence of invoicing procedures and fluctuates monthly. Accounts due from associated companies increased from €718.1 million per 31 December 2021 to €883.6 million per 30 June 2022, of which €882.0 million (31 December 2021: €713.0 million) comprises essentially accounts due from the short-term investment of free cash at United Internet AG.

At €114.8 million, inventories are higher than the level of the previous year (31 December 2021: €96.5 million), a consequence of higher delivery volumes of smartphones before the deadline for immediate sales. Short-term

contract assets include in particular receivables from the sale of hardware and decreased by €1.3 million compared to the end of the year. This decrease results from declining hardware sales in the first half of 2022. Prepaid expenses rose from €183.4 million to €228.9 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 allotment agreement in effect since April 2021.

Other short-term financial assets amount to €26.9 million (31 December 2021: €24.9 million). Other non-financial assets declined from €13.2 million to €11.2 million and concern primarily short-term claims for income and value-added taxes.

Long-term assets amount to €5,258.7 million per 30 June 2022 and increased slightly compared to 31 December 2021 (€5,164.9 million).

Tangible assets increased by €20.2 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 €41.6 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 €3.4 million to €209.0 million per 30 June 2022. Long-term prepaid expenses increased from €272.7 million per 31 December 2021 to €384.3 million per 30 June 2022 and comprise basically advance payments made pursuant to long-term purchase contracts and long-term capitalised costs to obtain and fulfil contracts.

The increase on the liabilities side was recognised as debt (€153.0 million) and equity (€191.4 million).

Short-term debt increased from €656.0 million per 31 December 2021 to €822.2 million per 30 June 2022. Trade accounts payable amount to €248.1 million (31 December 2021: €262.6 million). Accounts due to associated companies increased to €253.6 million (31 December 2021: €85.2 million). The increase relates to the advance payments on FTTH/VDSL allotments to be made to the affiliate 1&1 Versatel.

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 €16.0 million from €120.8 million to €136.8 million. The decline in short-term other non-financial liabilities by €35.9 million to €54.1 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 €73.1 million (31 December 2021: €42.0 million).

Long-term debt amounts to €1,175.4 million per 30 June 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 €211.8 million per 30 June 2022 (31 December 2021: €219.4 million). Long-term contract liabilities in the amount of €7.0 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 €5,410.6 million per 30 June 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 €199.0 million. The equity ratio amounts to 73.0 percent (31 December 2021: 73.9 percent).

### **General statement from the Management Board regarding the Company's economic position**

1&1 was able to increase the number of chargeable customer contracts by a total of 120,000 to 15.55 million, a further expansion of its solid position on the German telecommunications market. The high-margin service revenues also developed positively, increasing by 2.6 percent. The Management Board is satisfied with the first half of the year, in particular because the positive operational development of the subsidiaries and the important steps taken to roll out and operate the 1&1 mobile network.

The Company's successful development once again demonstrates the advantages of the 1&1 business model, which is based predominantly on electronic subscriptions with fixed monthly charges and contractually agreed terms. This secures stable and plannable revenues and cash flows, provides protection from economic fluctuations and opens up financial manoeuvring room so that opportunities arising in existing and new business fields and markets can be exploited.

Overall, the Management Board believes that the 1&1 Group remains in an excellent position for further corporate development. 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.

## **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.

In the course of 2022, the overall economic conditions have deteriorated significantly. In particular, the prices for energy and food are a major burden on people, and experts expect exceptionally high inflation. This also leads to a changed risk situation for 1&1. An increase in payment defaults appeared immediately in the first half of the year and had a negative impact on earnings. Sustained inflation also leads to increasing cost pressure and a risk to earnings if cost increases cannot be compensated by corresponding price increases.

The overall risk and opportunity position remained largely stable in the first six 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**

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.

### **General economic expectations**

In view of high inflation, ongoing supply chain problems, Corona restrictions in China and the consequences of the Russian attack on Ukraine, the International Monetary Fund (IMF) has again lowered its forecasts for

the vast majority of countries (including all three major economic powers, the USA, China and the eurozone) for 2022 and 2023 in its updated economic outlook (World Economic Outlook, July 2022 Update). The Fund sees the outlook as having darkened considerably since the last forecast in April 2022 and fears that the global economy will soon be on the brink of recession again - just two years after the crash following the outbreak of the coronavirus pandemic.

### Economic Projection – Economic Development in Percent

	2023e	2022e	2021
World	+ 2.9	+ 3.2	+ 6.1
Germany	+ 0.8	+ 1.2	+ 2.8

Source: International Monetary Fund, World Economic Outlook (Update), July 2022

Specifically, the IMF currently expects the global economy to grow by only 3.2 percent in 2022 (previous year: 6.1 percent) and by 2.9 percent in 2023.

The Fund expects Germany's economic output to grow at an increasingly slower pace in the next two years. Specifically, the IMF expects Germany to see an increase of 1.2 percent in 2022 and 0.8 percent in 2023.

The IMF also referred to numerous risks. If they materialize, the global economy could perform even worse. A complete lack of gas supplies from Russia, for example, could be a trigger for this and also lead to even higher inflation. This would affect Europe in particular. In this negative scenario, the global economy would grow by only 2.6 percent in 2022 and 2.0 percent in 2023.

### Industry/market expectations

At its press conference for the first half of 2022, the industry association Bitkom confirmed the excellent development of the ITC sector (ITC = information and communication technology) in Germany in the year to date – but at the same time, its expectations for the second half of 2022 are subdued in view of the Ukraine war, “exploding” energy prices and disrupted supply chains.

Nonetheless, the association has adjusted its growth forecast for all of 2022 from the previous 3.6 percent to 4.3 percent and now expects total revenues of €189.4 billion.

For information technology, the largest sub-market, the industry association has increased its forecast for 2022 from the previous 5.9 percent to 6.7 percent (previous year: 6.3 percent) and expects revenues of



€113.0 billion. The strongest growth is projected in software sales, which are expected to increase by 8.8 per cent to 32.4 billion euros, driven by the booming cloud business. At the same time, the hardware segment is expected to grow by 6.7 percent to €37.0 billion as many companies with a focus on digital work invest in secure and resilient infrastructures such as Infrastructure-as-a-Service (IaaS), i.e. rented servers, network and storage capacities (+33.2 percent), and workstations (+27.0 percent). IT services revenues are expected to grow by 5.3 percent to €43.6 billion.

The industry association has also increased its 2022 forecast for the sub-market telecommunications from the previous 0.9 percent to 1.5 percent (previous year: 1.2 percent) and at this time expects revenues of €67.7 billion. Bitkom calculates that telecommunications services will generate revenues of €48.8 billion, an increase of 1.0 percent. Revenues from device sales are expected to grow by 2.9 percent to €11.9 billion, and a rise of 2.7 percent to €6.9 billion in investments in the telecommunications infrastructure is foreseen.

### **Forecast for fiscal year 2022**

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 +450,000.

### **General statement from the Management Board on presumable development**

In 2022, further milestones have been reached on the road to the establishment of our own high-performance mobile network. The 1&1 Management Board expects the operation of our own mobile network to secure greater independence from upstream services providers and, as a result of the more in-depth added value, to lay a solid foundation for the successful development of the group. Thanks to its excellent current position on the telecommunications market with more than 15.55 million customers and to the opportunity to respond even more precisely to customer needs with individualised products and offers that will come

with its own network operation, the Management Board believes that 1&1 is well positioned for the future steps of the Company's development and is optimistic about the future.

The Management Board also expects further growth in the segment Access. The plan for the segment Mobile Access is to continue growth and to benefit from the market growth. The plan for the broadband segment is to stabilise the development of the contract portfolio.

Thanks to a business model that is based for the most part on electronic subscriptions, 1&1 views its position as by and large stable and secure from economic fluctuations.

1&1 will continue to pursue this sustainable business policy in the coming years.

Following a successful start to the second half of 2022 as well as at the point in time of the preparation of this management report, the Management Board believes that the Company is well on its way to achieving the goals explained in greater detail in the above section "Outlook for fiscal year 2022."

### **Major accounting, valuation and consolidation principles**

The semi-annual financial report of 1&1 AG per 30 June 2022 was prepared, as were the consolidated annual financial statements per 31 December 2021, in accordance with the International Financial Reporting Standards (IFRS) as they are to be applied in the European Union (EU).

The accounting and valuation principles applied in the semi-annual financial report 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.

### **Future-oriented statements and forecasts**

This semi-annual financial report 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 semi-annual financial report.

### **Use of assumptions and estimates**

During preparation of the semi-annual financial report, 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, and operating EBIT(DA) 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 been modified as follows in comparison with 31 December 2021:

1&1 Towers GmbH, Düsseldorf, was acquired in the reporting period with effect from 1 June 2022. The acquisition is not materially impacting the financial position of the group.

As in the previous year, no companies were sold in the reporting period.

The semi-annual financial report has not been audited in accordance with Section 317 Commercial Code [*Handelsgesetzbuch; HGB*] or reviewed by an auditor.

**Important events after 30 June 2022**

No important events occurred after the balance sheet date.

Montabaur, 4 August 2022

The Management Board



Ralph Dommermuth



Markus Huhn



Alessandro Nava

# Interim financial statement for the first six months of 2022

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## Consolidated Comprehensive Income Statement

from 1 January to 30 June 2022

	2022 January - June €k	2021 January - June €k
Sales	1,951,967	1,930,652
Cost of sales	-1,317,056	-1,313,878
<b>Gross profit from revenues</b>	<b>634,911</b>	<b>616,774</b>
Distribution costs	-248,765	-235,159
Administration costs	-60,226	-59,592
Other operating income / expenses	11,002	8,699
Impairment losses from receivables and contract assets	-49,221	-34,436
<b>Results from operating activities</b>	<b>287,701</b>	<b>296,286</b>
Financing expenses	-3,850	-765
Financial income	668	592
<b>Profit before taxes</b>	<b>284,519</b>	<b>296,113</b>
Tax expenses	-85,567	-88,861
<b>Consolidated profit</b>	<b>198,952</b>	<b>207,252</b>
<b>Profit per share (in €)</b>		
- undiluted	1.13	1.18
- diluted	1.13	1.18
<b>Weighted average number of shares outstanding (in millions)</b>		
- undiluted	176,30	176,26
- diluted	176,52	176,34
<b>Rollover to total consolidated profit</b>		
<b>Consolidated profit</b>	<b>198,952</b>	<b>207,252</b>
Other results	0	0
<b>Total consolidated profit</b>	<b>198,952</b>	<b>207,252</b>

## Consolidated Balance Sheet

per 30 June 2022

	30/6/2022 €k	31/12/2021 €k
<b>Assets</b>		
<b>Short-term assets</b>		
Cash and cash equivalents	6,168	4,555
Trade accounts receivable	269,095	248,106
Receivables due from associated companies	883,592	718,091
Inventories	114,817	96,469
Contract assets	608,790	610,046
Prepaid expenses	228,902	183,410
Other financial assets	26,941	24,926
Other non-financial assets	11,205	13,192
	<b>2,149,510</b>	<b>1,898,795</b>
<b>Long-term assets</b>		
Other financial assets	2,055	1,935
Tangible assets	163,186	142,978
Intangible assets	1,567,130	1,608,742
Goodwill	2,932,943	2,932,943
Contract assets	209,024	205,665
Prepaid expenses	384,320	272,672
	<b>5,258,658</b>	<b>5,164,935</b>
<b>Total assets</b>	<b>7,408,168</b>	<b>7,063,730</b>

	30/6/2022 €k	31/12/2021 €k
<b>Liabilities and equity</b>		
<b>Short-term liabilities</b>		
Trade accounts payable	248,104	262,592
Liabilities due to associated companies	253,608	85,162
Contract liabilities	50,197	48,701
Other provisions	6,346	6,777
Other financial liabilities	136,769	120,812
Other non-financial liabilities	54,051	89,940
Income tax liabilities	73,088	42,017
	<b>822,163</b>	<b>656,001</b>
<b>Long-term liabilities</b>		
Contract liabilities	7,023	7,447
Other provisions	41,258	43,576
Other financial liabilities	915,322	918,122
Deferred tax liabilities	211,770	219,383
	<b>1,175,373</b>	<b>1,188,528</b>
<b>Total liabilities</b>	<b>1,997,536</b>	<b>1,844,529</b>
<b>Equity</b>		
Share capital	193,930	193,930
Capital reserves	2,437,400	2,436,106
Cumulative consolidated results	2,780,181	2,590,044
Other equity	-879	-879
<b>Total equity</b>	<b>5,410,632</b>	<b>5,219,201</b>
<b>Total liabilities and equity</b>	<b>7,408,168</b>	<b>7,063,730</b>



## Consolidated Cash Flow Statement

from 1 January to 30 June 2022

	2022 January - June €k	2021 January - June €k
<b>Results from operating activities</b>		
Consolidated profit	198,952	207,252
<b>Allowances for rollover of consolidated profit to incoming and outgoing payments</b>		
Amortisation and Depreciation on intangible and tangible assets	32,484	31,928
Depreciation on assets capitalised within the framework of corporate acquisitions	48,031	47,290
Personnel expenses from employee stock ownership programmes	1,294	1,505
Changes in the adjustment items for deferred tax assets	-7,613	-4,361
Correction profits/losses from the sale of tangible assets	5	-67
<b>Cash flow from operating activities</b>	<b>273,153</b>	<b>283,547</b>
<b>Changes in assets and liabilities</b>		
Change in receivables and other assets	-21,018	23,874
Change in contract assets	-2,102	-37,981
Change in inventories	-18,348	3,953
Change in prepaid expenses	-157,139	-175,458
Change in trade accounts payable	-14,488	-79,567
Change in other provisions	-2,749	-2,850
Change in income tax liabilities	31,071	10,805
Change in other liabilities	-23,353	75,353
Change in receivables due from/liabilities due to associated companies	171,945	81,297
Change in contract liabilities	1,072	2,782
<b>Changes in assets and liabilities, total</b>	<b>-35,109</b>	<b>-97,792</b>
<b>Net inflow of funds from operating activities</b>	<b>238,044</b>	<b>185,755</b>

	2022 January - June €k	2021 January - June €k
<b>Cash flow from investments</b>		
Investments in intangible and tangible assets	-51,301	-9,028
Inflow of funds from disposal of intangible and tangible assets	47	892
Investments in other financial assets	-121	-251
Outflow of short-term investments	-169,000	-160,000
<b>Net outflow of funds in investment sector</b>	<b>-220,375</b>	<b>-168,387</b>
<b>Cash flow from financing sector</b>		
Dividend payment	-8,815	-8,813
Repayment of leasing liabilities and rights of use	-7,241	-6,518
<b>Net outflow of funds in financing sector</b>	<b>-16,056</b>	<b>-15,331</b>
Net increase/decline in cash and cash equivalents	1,613	2,037
Cash and cash equivalents at beginning of fiscal year	4,555	4,360
<b>Cash and cash equivalents at end of reporting period</b>	<b>6,168</b>	<b>6,397</b>

## Consolidated Change in Equity Statement

in fiscal year 2022 and 2021

	Share capital		Capital reserves	Cumulative consolidated results	Other equity	Total equity
	Denomination	€k	€k	€k	€k	€k
<b>Per 1 January 2021</b>	<b>176,264,649</b>	<b>193,891</b>	<b>2,432,054</b>	<b>2,228,835</b>	<b>-1,020</b>	<b>4,853,760</b>
Consolidated profit				207,252		207,252
<b>Total results</b>				<b>207,252</b>		<b>207,252</b>
Dividend payment				-8,813		-8,813
Employee stock ownership programme			1,505			1,505
<b>Per 30 June 2021</b>	<b>176,264,649</b>	<b>193,891</b>	<b>2,433,559</b>	<b>2,427,274</b>	<b>-1,020</b>	<b>5,053,704</b>
<b>Per 1 January 2022</b>	<b>176,299,649</b>	<b>193,930</b>	<b>2,436,106</b>	<b>2,590,044</b>	<b>-879</b>	<b>5,219,201</b>
Consolidated profit				198,952		198,952
<b>Total results</b>				<b>198,952</b>		<b>198,952</b>
Dividend payment				-8,815		-8,815
Employee stock ownership programme			1,294			1,294
<b>Per 30 June 2022</b>	<b>176,299,649</b>	<b>193,930</b>	<b>2,437,400</b>	<b>2,780,181</b>	<b>-879</b>	<b>5,410,632</b>

# **Explanatory Comments on the Consolidated Interim Financial Statements 30 June 2022**

## **1. General information about the Company and the financial statements**

1&1 Group, together with 1&1 Aktiengesellschaft, Montabaur (formerly Maintal), the listed parent company (hereinafter: "1&1 AG" or, along with its subsidiaries, "1&1" or "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 broadband and mobile network-based internet access products. They include, among others, chargeable broadband and mobile access products and the related applications such as home networks, online storage, telephony, video on demand or IPTV. 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 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.

1&1 AG is included in the consolidated interim financial statements of United Internet AG, Montabaur.

## **2. Major accounting, valuation and consolidation principles**

The interim report from 1&1 AG per 30 June 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).

The abbreviated consolidated interim financial statements for the period from 1 January 2022 to 30 June 2022 were prepared in accordance with IAS 34 "Interim Financial Reporting".

The reporting scope chosen for the presentation of these consolidated interim financial statements is abbreviated in comparison with the consolidated annual financial statements and should therefore be read in

association with the consolidated annual financial statements per 31 December 2021. The accounting and valuation methods applied in the abbreviated consolidated interim financial statements are the same as the methods used in the previous year with the exception of the standards whose application has in the interim become mandatory; they are briefly designated below.

## 2.1 Mandatory application of new accounting standards

Application of the following standards and interpretations as revised or newly issued by the IASB is mandatory for the fiscal year as of 1 January 2022.

Standard		Mandatory application for fiscal years beginning as of	Adoption by EU Commission
Amendments of: IFRS 1, IFRS 9, IFRS 16, IAS 41	Annual Improvements to IFRS Standards 2018 - 2020	01/01/2022	Yes
Amendments of: IFRS 3	Reference to the Conceptual Framework	01/01/2022	Yes
Amendments of: IAS 16	Revenue before the intended use	01/01/2022	Yes
Amendments of: IAS 37	Onerous contracts – Costs for the fulfilment of a contract	01/01/2022	Yes

There were no significant effects for these financial statements as a result of the changes in IFRS.

## 2.2 Application of assumptions and estimates

During preparation of the abbreviated consolidated interim 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 debts. 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.

The principles for discretionary decisions and estimates are essentially unchanged compared to the consolidated annual financial statements per 31 December 2021. The changes in the macroeconomic environment, which impacted in particular on higher inflation in the first half of 2022, have been appropriately taken into account in the financial statements, in particular in the context of the measurement of financial assets in accordance with IFRS 9.

The coronavirus pandemic or the effects of climate change did not have any significant impact on the discretionary decisions and estimates or on the measurement of assets and liabilities in the first half of 2022.

## 2.3 Miscellaneous

All subsidiaries are included in the consolidated interim financial statements. The scope of consolidation has been modified as follows in comparison with 31 December 2021:

1&1 Towers GmbH, Düsseldorf, was acquired in the reporting period with effect from 1 June 2022. The acquisition is not materially impacting the financial position of the group.

These consolidated interim financial statements have not been audited pursuant to Section 317 Commercial Code [*Handelsgesetzbuch; HGB*] or subjected to a review by an independent accountant.

## Explanatory comments on comprehensive income statement

### 3. 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 chief operating decision-maker. In 1&1 Group, the Management Board of 1&1 AG is responsible for the assessment and management of the segments' business success.

Company management and group reporting encompass the segments "Access" and "1&1 mobile network". The former „5G“ segment was renamed „1&1 mobile network“ at the beginning of the financial year. The new name clarifies that, beyond the pure use of 5G frequencies, the entire roll-out and operation of the mobile network is the object of this operating segment.

In the segment "Access", 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 (previous year: €2,932,943k) is the responsibility of the CODM at the level of the reporting segment "Access".

The expenditures and income relating to the acquisition of the 5G frequencies and to the preparations for and the future expansion and operation of the Company's own 5G mobile network are disclosed in the segment "1&1 mobile network". As of this moment, no revenues have been realised in the segment "1&1 mobile network" in fiscal year 2022.

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

The segment reporting of 1&1 Group for the reporting period from 1 January to 30 June 2022 is presented below:

	Access k€	1&1 mobile network k€	Total k€
Service revenues	1,581,888	0	1,581,888
Hardware and other revenues	370,079	0	370,079
<b>Segment revenues</b>	<b>1,951,967</b>	<b>0</b>	<b>1,951,967</b>
<b>Cost of materials for segment</b>	<b>-1,304,412</b>	<b>0</b>	<b>-1,304,412</b>
<b>Gross profit for segment</b>	<b>647,555</b>	<b>0</b>	<b>647,555</b>
<b>Segment EBITDA</b>	<b>384,271</b>	<b>-16,055</b>	<b>368,216</b>
<b>Segment EBITDA operating</b>	<b>384,271</b>	<b>-16,055</b>	<b>368,216</b>
<b>Customer contracts (in millions)</b>	<b>15.55</b>	<b>-</b>	<b>15.55</b>

All revenues were realised in Germany. There are no cross-segment interrelationships between the segments.

The segment reporting of 1&1 Group for the reporting period from 1 January to 30 June 2021 is presented below:

	Access k€	1&1 mobile network k€	Total k€
Service revenues	1,541,727	0	1,541,727
Hardware and other revenues	388,925	0	388,925
<b>Segment revenues</b>	<b>1,930,652</b>	<b>0</b>	<b>1,930,652</b>
<b>Cost of materials for segment</b>	<b>-1,303,065</b>	<b>0</b>	<b>-1,303,065</b>
<b>Gross profit for segment</b>	<b>627,587</b>	<b>0</b>	<b>627,587</b>
Segment EBITDA	390,444	-14,940	375,504
<b>Segment EBITDA operating</b>	<b>351,044</b>	<b>-14,940</b>	<b>336,104</b>
<b>Customer contracts (in millions)</b>	<b>15.11</b>	<b>-</b>	<b>15.11</b>

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

	2022 January - June k€	2021 January - June k€
Total segment profits (EBITDA)	368,216	375,504
Write-offs	-80,515	-79,218
<b>Operating Profit</b>	<b>287,701</b>	<b>296,286</b>
Financial result	-3,182	-173
<b>Profit before taxes on income</b>	<b>284,519</b>	<b>296,113</b>

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



## Additional information on sales revenues

Group sales revenues break down as shown below:

	2022 January - June m€	2021 January - June m€
Service revenues	1,581.9	1,541.7
Hardware and other revenues	370,1	389,0
<b>Total</b>	<b>1,952.0</b>	<b>1,930.7</b>

Sales revenues in the first half of 2022 increased by €21.3 million (1.1 percent) to €1,952.0 million (previous year: €1,930.7 million).

## 4. Cost of sales

Cost of sales increased slightly in the first half of 2022 by €3.2 million (0.2 percent) to €1,317.1 million (previous year: €1,313.9 million). Cost of sales of the previous year included €39.4 million in out-of-period income related to the terms and conditions of the new national roaming agreement applicable retroactively from 1 July 2020, which represented a retroactive correction of upstream service prices for fiscal year 2020. Since the conclusion of the national roaming agreement, 1&1 has been entitled to reduce or increase the ordered wholesale capacities within contractually defined bandwidths, resulting in positive effects on the cost of sales.

## 5. Personnel expenses

Personnel expenses for the reporting period 2022 amounted to €102,876k (previous year: €102,486k). At the end of June 2022, 1&1 Group employed a workforce of 3,145 (31 December 2021: 3,167).

## 6. Write-offs

Total amortisation of intangible assets and depreciation on tangible assets during the reporting period 2022 amounted to €80,515k (previous year: €79,218k).

Depreciation and amortisation of assets capitalised in relation to company acquisitions amounted to €48,031k (previous year: €47,290k).

Amortisation of originally acquired intangible assets and depreciation on tangible assets amounted to €32,484k (previous year: €31,928k). Of this amount, €16,500k is attributable to the right similar to concessions acquired as part of the extension of the MBA MVNO contract.

## **7. Impairment losses from receivables and contract assets**

The impairment losses from receivables and contract assets comprise €32,423k (previous year: €18,502k) from trade receivables and €16,798k (previous year: 15,934k) from contract assets.

### **Explanatory comments on the consolidated balance sheet**

Explanatory comments are provided solely on the items that display noteworthy differences to the amounts disclosed in the consolidated annual financial statements of 31 December 2021.

## **8. Accounts due from associated companies**

Accounts due from associated companies in the amount of €883,592k (31 December 2021: €718,091k) are related to accounts due from member companies of United Internet Group that are not included in 1&1 Group's consolidated financial statements. Of the disclosed accounts due, €882,000k (31 December 2021: €713,000k) relate to accounts due from the short-term investment of free cash and cash equivalents at United Internet AG.

## **9. Tangible and intangible assets; goodwill**

A total of €51,301k (HY1 2021: €9,028k) was invested in tangible and intangible assets during the interim reporting period.

Tangible assets rose by €20,208k from €142,978k per 31 December 2021 to €163,186k per 30 June 2022. During the reporting period, payments on account amounting to €16,917k and rights of use for land and buildings amounting to €7,955k were added.

Intangible assets declined as scheduled from €1,608,742k per 31 December 2021 to €1,567,130k per 30 June 2022 and include primarily the 5G frequencies and the assets determined as part of the purchase price allocation from the merger of 1&1 and Drillisch less the write-offs relating to these assets. There was no amortisation of 5G frequencies during the interim reporting period 2022. The acquired frequency blocks will not be amortised until actual commercial network operation using the spectrum begins.

Goodwill remains unchanged from the previous year at €2,932,943k.

## 10. Long-term deferred expenses

Long-term deferred expenses amount to €384,320k per 30 June 2022 (31 December 2021: €272,672k) and include mainly advance payments made under long-term purchase agreements of €278,792k (31 December 2021: €163,520k), costs to obtain contracts of €73,828k (31 December 2021: €76,275k) and costs to fulfil contracts of €31,700k (31 December 2021: €32,877k).

## 11. Short-term accounts due to associated companies

Short-term accounts due to associated companies per 30 June 2022 amount to €253,608k (31 December 2021: €85,162k) and are related to liabilities resulting from advance services procurement and other cost allocations due to member companies of United Internet Group that are not included in 1&1 Group's consolidated financial statements.

## 12. Other long-term financial liabilities

Other long-term financial liabilities per 30 June 2022 in the amount of €915,322k (31 December 2021: €918,122k) relate mainly to frequency liabilities in the amount of €825,124k (31 December 2021: €825,124k) and obligations pursuant to leasing agreements in the amount of €87,892k (31 December 2021: €90,690k).

## 13. Share capital/Own shares

The share capital remains unchanged at €193,929,613.90 per 30 June 2022. 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.

## 14. Employee stock ownership models

### Stock Appreciation Rights (SAR United Internet)

Earnings from stock appreciation rights (SAR) amounted to €172k in the first half of 2022 (previous year: €389k).

**Stock Appreciation Rights Drillisch (SAR Drillisch)**

Expenses from the stock appreciation rights Drillisch (SAR Drillisch) amounted to €1,294k in the first half of 2022 (previous year: €1,505k).

**15. Additional disclosures about the financial instruments**

The table below presents the book value of each category of financial assets and liabilities per 30 June 2022:

	Measurement category per IFRS 9	Carrying value per 30/06/2022 €k	Amortised costs €k	Fair Value through other comprehensive income without recycling to profit and loss €k	Valuation according to IFRS 16 €k	Fair value per 30/06/2022 €k
<b>Financial assets</b>						
Cash and cash equivalents	ac	6,168	6,168			6,168
Trade accounts receivable	ac	269,095	269,095			269,095
Receivables due from associated companies	ac	883,592	883,592			883,592
Other short-term financial assets	ac	26,941	26,941			26,941
Other long-term financial assets						
- Participating interests	fvoci	1,363		1,363		1,363
- Miscellaneous	ac	692	692			692
<b>Financial liabilities</b>						
Trade accounts payable	ac	-248,104	-248,104			-248,104
Liabilities due to associated companies	ac	-253,608	-253,608			-253,608
Other short-term financial liabilities	ac/n/a					
- Lease obligations	n/a	-15,014			-15,014	
- Miscellaneous	ac	-121,755	-121,755			-121,755
Other long-term financial liabilities	ac/n/a					
- Lease obligations	n/a	-87,892			-87,892	
- Miscellaneous	ac	-827,430	-827,430			-827,430
of which aggregated per classification categories:						
- Financial assets at amortized cost	ac	1,186,488	1,186,488			1,186,488
- Financial assets at fair value through other comprehensive income without recycling to profit and loss	fvoci	1,363		1,363		1,363
- Financial liabilities at amortized cost	ac	-1,450,897	-1,450,897			-1,450,897
Lease obligations	n/a	-102,906			-102,906	

The table below presents the book value of each category of financial assets and liabilities per 30 June 2021:

	Measurement category per IFRS 9	Carrying value per 30/06/2021 €k	Amortised costs €k	Fair Value through other comprehensive income without recycling to profit and loss €k	Valuation according to IFRS 16 €k	Fair value per 30/06/2021 €k
<b>Financial assets</b>						
Cash and cash equivalents	ac	6,397	6,397			6,397
Trade accounts receivable	ac	246,292	246,292			246,292
Receivables due from associated companies	ac	564,042	564,042			564,042
Other short-term financial assets	ac	21,312	21,312			21,312
Other long-term financial assets						
- Participating interests	fvoci	1,511		1,511		1,511
- Miscellaneous	ac	733	733			733
<b>Financial liabilities</b>						
Trade accounts payable	ac	-240,299	-240,299			-240,299
Liabilities due to associated companies	ac	-140,254	-140,254			-140,254
Other short-term financial liabilities	ac/n/a					
- Lease obligations	n/a	-12,723			-12,723	
- Miscellaneous	ac	-102,980	-102,980			-102,980
Other long-term financial liabilities	ac/n/a					
- Lease obligations	n/a	-83,162			-83,162	
- Miscellaneous	ac	-888,981	-888,981			-888,981
of which aggregated per classification categories:						
- Financial assets at amortized cost	ac	838,776	838,776			838,776
- Financial assets at fair value through other comprehensive income without recycling to profit and loss	fvoci	1,511		1,511		1,511
- Financial liabilities at amortized cost	ac	-1,372,514	-1,372,514			-1,372,514
Lease obligations	n/a	-95,885			-95,885	

Cash and cash equivalents, trade accounts receivable, accounts due from associated companies and other short-term financial assets have short remaining terms. Their carrying values on the closing date are consequently close to fair value.

Participations are disclosed at fair value. It is assumed for the remaining other long-term assets, which are disclosed in the balance sheet at amortised cost, that their carrying value is equivalent to fair value.

Trade accounts payable, liabilities due to associated companies and other short-term financial liabilities have short remaining terms; the disclosed values represent approximately the fair values.

It is assumed for the remaining other long-term liabilities, which are disclosed in the balance sheet at amortised cost, that their carrying value is equivalent to fair value.

The measurement of financial assets measured at fair value is based on appropriate valuation techniques. Insofar as available, stock exchange prices on active markets are used. Option price models are primarily used to measure purchase price liabilities.

## **16. Related party disclosures**

Pursuant to IAS 24, persons and companies are regarded as related parties if one of the parties has the possibility to control the other party or to exercise a significant influence. Related parties of the Group include Management and Supervisory Boards of 1&1 AG and the group companies of United Internet Group that are not included in the consolidation of the Group. Moreover, participations on which the Group companies can exercise significant influence (associated companies) are classified as related parties. In addition, Mr Ralph Dommermuth as the principal shareholder of United Internet AG is classified as a related party (and the ultimate controlling company within the sense of IAS 24.13).

The group of related parties remained essentially unchanged in comparison with the consolidated annual financial statements per 31 December 2021.

Per 30 June 2022, the Management Board members held the following stock in 1&1 AG:

Per the closing date 30 June 2022, United Internet AG, Montabaur, held 78.32 percent of the stock in 1&1 AG. Per 30 June 2022, Mr Ralph Dommermuth in turn holds indirectly through holding companies 51.0 percent of the share capital of United Internet AG as reduced by his own shares of United Internet AG.

The Supervisory Board members held the following stock in 1&1 AG per 30 June 2022:

Supervisory Board member Vlasios Choulidis 273,333 no-par-value shares (65,000 of which were held via MV Beteiligungs GmbH), a total of 0.16 percent of the shares of 1&1 AG.

Of the disclosed sales revenues, €12,228k (previous year: €15,003k) was realised during the reporting period with member companies of United Internet Group that are not members of the consolidation of 1&1 Group.

The expenditures in the reporting period of €91,544k (previous year: €91,002k) include expenditures with member companies of United Internet Group that are not members of the consolidation of 1&1 Group.

The business premises in Montabaur and Karlsruhe are leased by Mr Ralph Dommermuth to 1&1. The resulting payment obligations are at the usual local level. The resulting payment commitments incurred during the reporting period amounted to €3,421k (previous year: €3,118k).

The company VPM Immobilien Verwaltungs GmbH, Maintal (shareholder of VPM and member of the Supervisory Board of 1&1 AG – Mr Vlasios Choulidis) has leased office space in Maintal to 1&1 Group. The resulting payment obligations are at the usual local level and amounted to €15k in the reporting period 2022 (prior year: €89k). There was a change of ownership of the office building at the beginning of the fiscal year. As a result, VPM Immobilien Verwaltungs GmbH is no longer the landlord of the office premises in Maintal effective per 27/01/2022.

The following table shows rights of use concerning related parties:

	Carrying value per 31/12/2021 €k	Addition of fiscal year €k	Depreciation €k	Disposals €k	Carrying value per 30/06/2022 €k
Right of use assets	59,673	3,682	-3,027	-137	60,191

The following table shows lease liabilities concerning related parties:

	Carrying value per 31/12/2021 €k	Addition of fiscal year €k	Repayment/ interest €k	Disposals €k	Carrying value per 30/06/2022 €k
Lease liabilities	60,485	3,682	-3,034	-112	61,021

## 17. Events after 30 June 2022

There were no significant events after the balance sheet date.

Montabaur, 4. August 2022

1&1 Aktiengesellschaft



Ralph Dommermuth



Markus Huhn



Alessandro Nava



## Consolidated Comprehensive Income Statement, Quarterly Development

in m€

	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2021 Q2
Sales	971.3	1,007.6	975.9	976.1	957.0
Cost of sales	-675.6	-720.4	-659.5	-657.6	-662.4
<b>Gross profit from revenues</b>	<b>295.7</b>	<b>287.2</b>	<b>316.4</b>	<b>318.5</b>	<b>294.5</b>
Distribution costs	-113.7	-127.6	-120.7	-128.0	-120.9
Administration costs	-35.9	-30.6	-30.8	-29.5	-28.0
Other operating income / expenses	5.9	13.2	5.6	5.4	4.6
Impairment losses from receivables and contract assets	-17.9	-26.0	-23.7	-25.5	-16.5
<b>Results from operating activities</b>	<b>134.2</b>	<b>116.2</b>	<b>146.8</b>	<b>140.9</b>	<b>133.7</b>
Financial results	-0.3	-11.1	-1.6	-1.6	0.0
<b>Profit before taxes</b>	<b>133.9</b>	<b>105.1</b>	<b>145.2</b>	<b>139.3</b>	<b>133.7</b>
Tax expenses	-37.7	-38.5	-43.6	-41.9	-40.1
<b>Consolidated profit</b>	<b>96.2</b>	<b>66.6</b>	<b>101.6</b>	<b>97.4</b>	<b>93.6</b>
<b>Profit per share (in €)</b>					
- undiluted	0.55	0.38	0.58	0.55	0.53
- diluted	0.55	0.38	0.58	0.55	0.53
<b>Rollover to total consolidated profit</b>					
<b>Consolidated profit</b>	<b>96.2</b>	<b>66.6</b>	<b>101.6</b>	<b>97.4</b>	<b>93.6</b>
Other results	0.0	0.0	0.0	0.0	0.0
<b>Total consolidated profit</b>	<b>96.2</b>	<b>66.6</b>	<b>101.6</b>	<b>97.4</b>	<b>93.6</b>

# **Affirmation Statement of the Legal Representatives**

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## **Affirmation Statement of the Legal Representatives**

### **Declaration according § 37y WpHG in connection with § 37w Sec. 2 Nr. 3 WpHG**

To the best of our knowledge, and in accordance with the applicable accounting principles for interim reporting, the consolidated interim financial statements give, in compliance with generally accepted accounting principles, a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Interim 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 in the remaining fiscal year.

Montabaur, 4 August 2022

1&1 Aktiengesellschaft

Ralph Dommermuth

Markus Huhn

Alessandro Nava

## Other

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## Investor Relations Corner

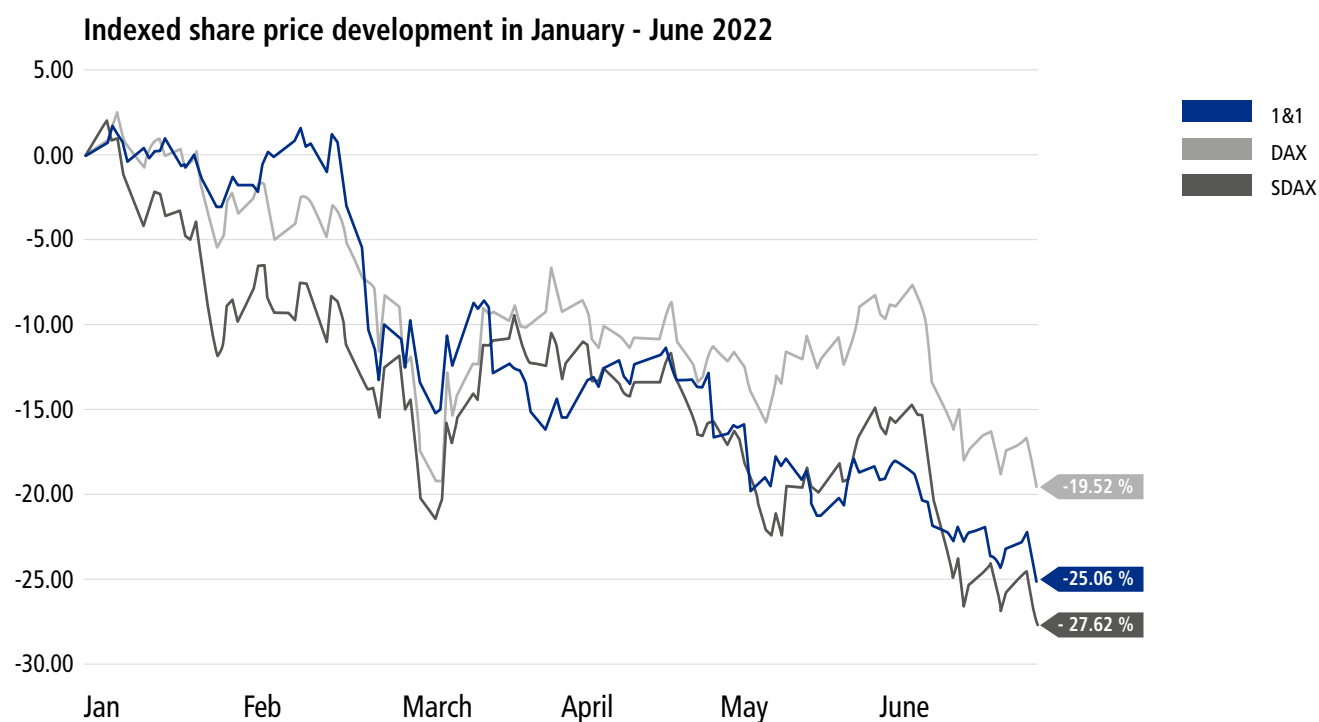
### 1. Investor Relations

The capital market communications of 1&1 AG are conducted in conformity with the fair disclosure principle, i.e. all shareholders and interested parties are simultaneously provided with the same type of information about all important developments. The ongoing work can be followed and tracked equally by all investor groups on our investor relations home page where all of our relevant reports and publications can be viewed. Many of the people interested in our Company also take advantage of the opportunity for personal contact via email and/or telephone.

### 2. Share Price Development in Trading Year 2022

	year-end 2021	30 June 2022	% change
1&1	€24.02	€18.00	- 25.06
DAX	15,884.86	12,783.77	- 19.52
SDAX	16,414.67	11,880.86	- 27.62
TecDAX	3,920.17	2,885.62	- 26.39

#### Performance of the 1&1 Share compared to DAX and SDAX\*



\* Indices and the 1&1-Share show a dividend adjusted performance

### 3. Current Analyst Assessments

(Last revised 28 July 2022)

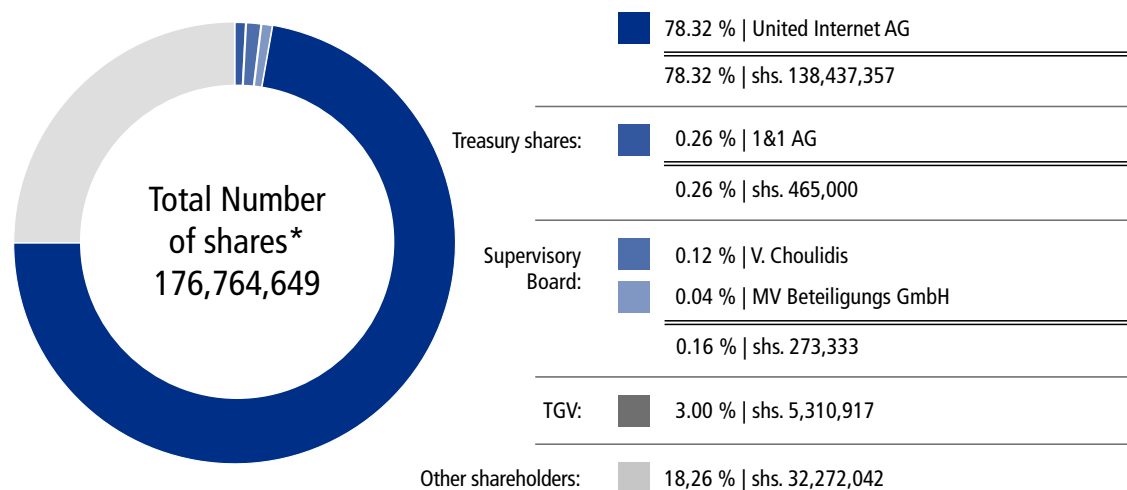
With a good strategic positioning in the German telecommunications market, the 1&1 share is considered promising by the capital market as a whole.

Analysis	Rating	Price Target	Date
CITI	"Neutral"	€18.50	25 July 2022
Warburg	"Buy"	€39.00	19 May 2022
DZ Bank	"Buy"	€26.00	12 May 2022
ODDO	"Neutral"	€27.00	10 May 2022
CITI	"Neutral"	€21.00	06 May 2022
UBS	"Neutral"	€23.00	28 April 2022

A constantly updated overview of the analysts' recommendations can be found on the 1&1 AG IR home page: <https://www.1und1.ag/investor-relations-en#die-aktie>

### 4. Shareholder Structure

(Last revised 14 April 2022)



Free float as per definition of Dt. Börse AG 21.42 %

\* Presentation of the total positions 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 2021 report, page 90.

Source: <https://www.1und1.ag/investor-relations-en#die-aktie>

## Publications, Information and Order Service

This report on the 1st half of 2022 is also available in a German version.

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](http://www.1und1.ag/investor-relations-en) .

Please use our online order service on our website [www.1und1.ag/investor-relations-en#bestellservice](http://www.1und1.ag/investor-relations-en#bestellservice) .

Naturally, we would also be happy to send you the desired information by post or by mail. We will be glad to help you with any personal queries by telephone.

## Financial Event Calender\*

<b>4 August 2022</b>	6-Month Report 2022, Press and Analyst Conference
<b>10 November 2022</b>	Quarterly Statement Q3 2022

\* These provisional dates are subject to change

## Contact

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

### Investor Relations

Elgendorfer Straße 57  
D - 56410 Montabaur

Telephone: +49 (0) 61 81 / 412 200

Telefax: +49 (0) 61 81 / 412 183

E-Mail: [ir@1und1.de](mailto:ir@1und1.de)

### Press

Elgendorfer Straße 57  
D - 56410 Montabaur

Telephone: +49 (0) 61 81 / 412 620

Telefax: +49 (0) 61 81 / 412 183

E-Mail: [presse@1und1.de](mailto:presse@1und1.de)

## Legal Information

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

### **Company Headquarters**

Elgendorfer Straße 57  
D - 56410 Montabaur

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

### **Responsible**

1&1 AG

### **Commercial Register Entry:**

HRB 28530 Montabaur  
VAT ID No.: DE 812458592  
Tax No.: 03522506037  
Offenbach City Tax Office

### **Management Board**

Ralph Dommermuth (CEO)  
Markus Huhn  
Alessandro Nava

### **Supervisory Board**

Kurt Dobitsch (Chairman)  
Kai-Uwe Ricke (Deputy Chairman)  
Matthias Baldermann  
Dr Claudia Borgas-Herold  
Vlasios Choulidis  
Norbert Lang

### **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/welcome](http://www.1und1.ag/welcome) - Investor Relations - Reports. In all cases of doubt, the German version shall prevail.

### **Future-oriented Statements:**

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



Reports of 1&1 AG. 1&1 does not intend to revise or update any forward-looking statements set out in this Interim Statement.



**1&1 AG**

Elgendorfer Straße 57  
56410 Montabaur  
Germany

[www.1und1.ag](http://www.1und1.ag)