



Report on the first half-year 2021

Data & Facts

Selected Performance Indicators	H1 2021	H1 2020	Change	Q2 2021	Q2 2020	Change	Q1 2021	Q4 2020	Q3 2020
Profit in €M									
Revenues	1,930.7	1,881.2	2.6%	957.0	940.4	1.8%	973.7	973.1	932.6
Service revenues	1,541.7	1,497.0	3.0%	779.6	749.2	4.1%	762.1	762.0	761.0
Other revenues	389.0	384.2	1.2%	177.4	191.2	-7.2%	211.6	211.1	171.6
EBITDA	375.5	329.6	13.9%	173.2	165.6	4.6%	202.3	11.9	127.0
EBITDA operating	336.1	329.6	2.0%	168.2	165.6	1.6%	167.9	162.0	146.2
EBIT	296.3	254.1	16.6%	133.7	127.7	4.7%	162.6	-28.0	87.0
EBIT operating	256.9	254.1	1.1%	128.7	127.7	0.8%	128.2	122.1	106.2
EBIT operating excluding PPA write-offs	299.1	309.7	-3.4%	149.8	155.5	-3.7%	149.3	143.2	127.6
EBT	296.1	253.9	16.6%	133.7	127.7	4.7%	162.4	-28.3	87.0
EBT operating	256.7	253.9	1.1%	128.7	127.7	0.8%	128.0	121.8	106.2
EBT operating excluding PPA write-offs	299.0	309.6	-3.4%	149.9	155.5	-3.6%	149.1	143.0	127.6
Profit per share (in €)	1.18	1.05	12.2%	0.53	0.55	-3.0%	0.64	-0.12	0.32
Profit per share operating (in €)	1.02	1.05	-2.7%	0.51	0.55	-6.7%	0.51	0.48	0.39
Profit per share operating excluding PPA write-offs (in €)	1.19	1.27	-6.4%	0.59	0.66	-9.6%	0.59	0.56	0.48
Cash flow in €M									
Net inflow of funds from operating activities	185.8	197.7	-6.0%	84.6	92.7	-8.8%	101.2	60.2	192.8
Net outflow of funds in investment sector	-168.4	-209.5	19.6%	-72.6	-86.0	15.5%	-95.8	2.8	-190.6
Free cash flow	177.6	179.4	-1.0%	80.0	81.9	-2.3%	97.6	46.2	18.1
	30/06/2021	31/12/2020	Change	30/06/2021	31/12/2020	Change	31/03/2021	31/12/2020	30/09/2020
Headcount (incl. management board)									
Total per end of June	3,184	3,191	-0.2%	3,184	3,191	-0.2%	3,183	3,191	3,154
Customer contracts (in millions)									
Access. contracts	15.11	14.83	1.9%	15.11	14.83	1.9%	14.97	14.83	14.68
of which mobile internet	10.83	10.52	2.9%	10.83	10.52	2.9%	10.66	10.52	10.36
of which broadband (ADSL, VDSL, FTTH)	4.28	4.31	-0.7%	4.28	4.31	-0.7%	4.31	4.31	4.32
Balance sheet (in €M)									
Short-term assets	1,759.2	1,553.3	13.3%	1,759.2	1,553.3	13.3%	1,729.0	1,553.3	1,549.2
Long-term assets	5,215.5	5,137.0	1.5%	5,215.5	5,137.0	1.5%	5,105.8	5,137.0	5,229.8
Shareholders' equity	5,053.7	4,853.8	4.1%	5,053.7	4,853.8	4.1%	4,967.8	4,853.8	4,873.8
Balance sheet total	6,974.6	6,690.3	4.2%	6,974.6	6,690.3	4.2%	6,834.8	6,690.3	6,778.9
Equity ratio	72.5%	72.5%		72.5%	72.5%		72.7%	72.5%	71.9%

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Letter from the Management Board



Dear Shareholders,

1&1 continued its path of growth in the first half of 2021 and again increased its customer base, EBITDA and service revenues.

Alongside the operating business, the first half of the year was characterised by preparations for the launch of our mobile network, in particular the conclusion of a long-term national roaming agreement with Telefónica Germany. Thanks to this sharing of the Telefónica network, our customers will receive nationwide mobile coverage even during the rollout phase of our 5G network in areas not yet developed by 1&1. The national roaming agreement has an initial term until 30 June 2025 and can be renewed twice. Initially, 1&1 has a fixed renewal option until mid-2029, after which a further renewal by negotiation for as long as five years is possible. This agreement provides for annually decreasing prices that are determined according to set rules in the first renewal option until June 2029. Subsequently, Telefónica remains obligated to offer non-discriminatory prices. These advance services terms and conditions are again based on comparable pricing mechanisms as was the case during the first five years of the MBA MVNO contract. In future, 1&1 will be able to reduce or increase the required capacities several times a year within contractually defined bandwidths.

Because of the positioning of our brand names and products in mobile internet and broadband lines, we take our place as one of the leading service providers in Germany, offering comprehensive services and outstanding value for money.

In the 2021 tests conducted by the respected trade magazine connect, our premium brand 1&1 once again took top honours.

During the first quarter, business customers crowned 1&1 as the overall winner among the major mobile services providers. And the respondents of the Customer Barometer Mobile Services named 1&1 as the mobile services brand with the highest likeability scores and the best price/performance ratio. Moreover, 1&1 was

test winner in the Service Test Mobil Services Hotlines with the ranking "Good" in the category "Hotlines of Alternative Providers". This result also led to second place among all mobile services providers and featured the rating of "Excellent" in each of the categories of friendliness, waiting time and reachability as well as "Good" with respect to the quality of the information.

In the recent test of the trade magazine connect (customer survey 07/2021), 1&1 placed first in the category "Customer service: Network operators", just as in the previous year. According to the survey, customers rate the service of their provider as the best. In the "Customer Satisfaction" category, 1&1 was named the most popular brand among the Big Four. In the category "Mobile Services Operators", a good second place was achieved among the four network operators, only two points behind first place, but 11 and 13 points ahead of third and fourth place, respectively. In the overall result, 1&1 took second place after first place in the previous year, just one point behind the 2021 winner. In the landline test conducted by the connect magazine 1&1 made a great second place after first place in year 2020 and achieved the result "very good". 1&1 was only two points behind the winner.

Now for the operating side of the business

During the first six months of 2021, we were able to increase the number of customer contracts by 280,000 to 15.11 million contracts (Q4 2020: 14.83 million). While broadband lines decreased in the first half of 2021 by 30,000 contracts to 4.28 million (Q4 2020: 4.31 million), the number of customer contracts in the mobile internet segment rose strongly by 310,000 to 10.83 million (Q4 2020: 10.52 million). Compared to Q2 2020, the number of mobile internet customer contracts grew by 590,000. The number of broadband lines is expected to remain stable again from the second half.

Our revenue increased by 2.6 percent to €1.931 billion (HY1 2020: €1.881 billion). The high-margin service revenues included in this figure rose by 3.0 percent to €1.542 billion in the first six months of 2021 (HY1 2020: €1.497 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) – increased during six months of 2021 by 1.2 percent to €389.0 million (HY1 2020: €384.2 million). Hardware sales, which exceeded our expectations in Q1 2021, were below our expectations in Q2 2021. 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) increased by €45.9 million to €375.5 million during the first six months of fiscal year 2021 (HY1 2020: €329.6 million). This includes €39.4 million in income related to other periods, a consequence of the terms and conditions of the new

national roaming agreement applicable retroactively from 1 July 2020 in the MBA MVNO advance services agreement. Precluding this effect comparable operating EBITDA in the first half of 2021 of €336.1 million would be 2.0 percent above previous year's level (HY1 2020: €334.1 million comparable operating EBITDA).

The EBITDA of the "5G" segment contained in the total EBITDA of the first half of 2021 amounts to €-14.9 million (HY1 2020: €-5.6 million) and includes the startup costs related to the planning and realisation of the rollout of our mobile network.

At €177.6 million, free cash flow was at the high level of the previous year (€179.4 million in the first half of 2020). The free cash flow includes advance payments of €-213.4 million from the new (combined) FTTH/VDSL contingent agreement that has been in effect since April 2021.

We are confirming our revenue-forecast for fiscal year 2021 as a whole and are confirming our expectations of an increase in service revenues to approximately €3.10 billion (2020: €3.02 billion). We raise the forecast of EBITDA (excluding the income of €39.4 million relating to other periods because of the signing of the national roaming agreement) from approximately €650 million to approximately €670 million (2020: €468.5 million). This forecast remains including approximately €30 million in initial costs for the 5G network rollout.

We are in an excellent position to take the next steps in our corporate development and look ahead to the future with confidence.

Finally, we would like to express our heartfelt thanks to our employees for their unfailing commitment and strong motivation, which we appreciate particularly highly in the current crisis. Moreover, we want to express our gratitude to all shareholders, customers and business partners for the trust they have placed in us.

Best regards from Maintal,



Ralph Dommermuth



Markus Huhn



Alessandro Nava

Maintal, August 2021

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Principles of the Group

Business model

1&1 Group, together with 1&1 Aktiengesellschaft (formerly 1&1 Drillisch Aktiengesellschaft), Maintal, the listed parent company (hereinafter: "1&1 AG" or, along with its subsidiaries, "1&1" or "1&1 Group"), is a telecommunications provider that operates solely and exclusively in Germany. Serving more than 15.1 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, on-line storage, telephony, video on demand or IPTV. In addition, 1&1 is currently planning to build its own mobile network using the 5G mobile frequencies that were acquired in the auction in 2019.

1&1 – sole MBA MVNO on the German mobile market

Pursuant to the MBA MVNO agreement concluded with Telefónica in June 2014, Telefónica grants to 1&1 via its wholly-owned subsidiary Drillisch Online GmbH, Maintal (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 applies to all future as well as current technologies, including 5G. At the same time, 1&1 obtains access rights to the so-called "Golden Grid Network" of Telefónica that has been created by the merger. This means access to the enhanced footprint of the mobile network of Telefónica, including all necessary technical specifications and the technical capability to reduce speed and restrict transport in the event of excessive data utilisation by customers.

On 30 December 2019, 1&1 exercised as planned the first option to renew the MBA MVNO contract with Telefónica Germany that was set to expire on 30 June 2020; with the renewal, the agreement will now remain effective until at least 30 June 2025. Subsequently, 1&1 has the unilateral option of a further five-year extension.

Preparation of its own 5G mobile network and conclusion of a national roaming agreement

The course was set for the construction of the Company's own 5G mobile network when It acquired 5G frequencies in 2019.

In 2019, 1&1 acquired frequency blocks in the 2 GHz and 3.6 GHz ranges. While the frequency blocks in the 3.6 GHz range are already available, the frequency blocks in the 2 GHz range will not become available until 1 January 2026. To bridge this period, 1&1 has leased additional frequencies in 2.6 GHz range from Telefónica until its own frequencies become available.

On 21 May 2021, 1&1 was able to conclude a long-term national roaming agreement with Telefónica, a step that created another essential prerequisite for the network rollout. The national roaming agreement has a basic term until 30 June 2025 that 1&1 can renew unilaterally until 30 June 2029; after this time, a further renewal of up to five years is possible by negotiation. Thanks to this agreement and the MBA MVNO agreement, 1&1 secures access to the Telefónica mobile network over the long term and guarantees seamless mobile services coverage during the construction phase of its own nationwide network.

The national roaming agreement provides for annually decreasing prices that are determined according to set rules in the first renewal option until June 2029. After that time, Telefónica remains obligated to offer non-discriminatory prices. These advance services terms and conditions are again based on comparable pricing mechanisms as was the case during the first five years of the MBA MVNO contract. In future, 1&1 will be able to reduce or increase the required capacities several times a year within contractually defined bandwidths.

The prices agreed in the national roaming agreement will apply retroactively as well to the current MBA MVNO agreement from July 2020. The price mechanism of the national roaming agreement reverts to pricing mechanisms comparable with the first five years of the MBA MVNO agreement. In particular, it again provides for annual decreases in data prices that are lower than the prices that have been billed since July 2020. The result of the retroactive adjustment of the advance services prices since July 2020 can be seen in the positive effect on earnings of €39.4 million that is attributable to the second half of fiscal year 2020.

During the fiscal year, intensive planning activities and preparations for the construction of the necessary infrastructure continued. At the time of this publication, largely finalised contracts with the future partners for mobile network equipment are in place, so that management expects to be able to start the rollout of a high-performance 5G mobile network in the near future.

Negotiations with the Japanese network operator Rakuten Mobile have already been successfully concluded. Rakuten Mobile will act as a general contractor for the installation and operation of the active network equipment in the 1&1 mobile network and will be fully responsible for its performance.

Group structure, strategy and management

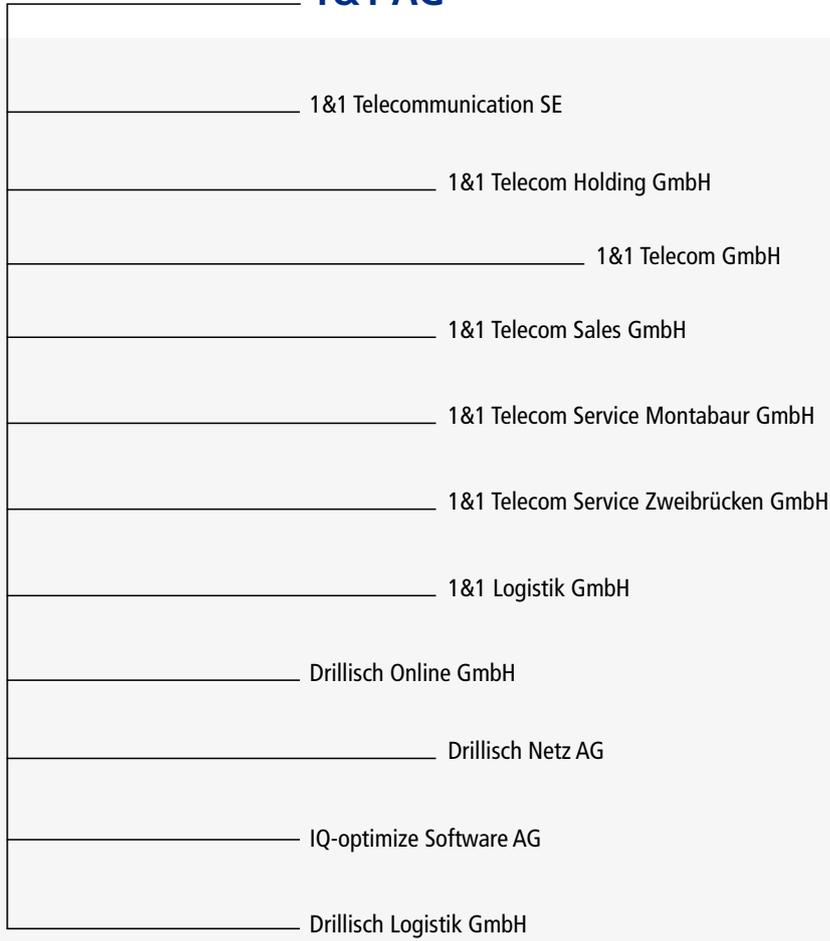
Reference is made to the explanatory comments in the group management report for fiscal year 2020 relating to the group structure, strategy and management of the Company. There have not been any significant changes here from the perspective of the Group.

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.

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

1&1 AG



Business activities

Chargeable contracts with 15.11 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 "5G".

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 advance services. Access to the networks is enhanced by offerings of devices, own developments of applications and services to set the Company apart from its competitors.

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

"5G" segment

The expenses and income relating to preparations for the future establishment, expansion and operation of the Company's own 5G mobile network are disclosed in the segment "5G".

General economic and industry-related conditions

Development of the overall economy

Taking into account the coronavirus pandemic and rising vaccination rates, the International Monetary Fund (IMF) assumes in its updated economic outlook (World Economic Outlook, Update July 2021) that the German economy will normalize. Accordingly, it has revised its economic expectations slightly upward by 0.1 percentage points during the year and now expects economic output to increase by 3.6 percent (previous year: -4.9 percent).

Changes in growth forecasts 2021

	Actual 2020	January forecast 2021	April forecast 2021	July forecast 2021	Change from January forecast
Germany	-4.9%	3.5%	3.6 %	3.6%	+0.1 percentage points
World economic	-3.3%	5.5%	6.0 %	6.0%	+0.5 percentage points

Source: International Monetary Fund, World Economic Outlook (Update), July 2021

General legal conditions / Major events

The legal framework conditions for the business activities of 1&1 remained essentially constant in the first half of 2021 compared to fiscal year 2020 and had no significant impact on the business development of 1&1 Group.

Employees

Per 30 June 2021, 1&1 Group employed a workforce of 3,184 (31 December 2020 year: 3,191).

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 15.11 million contracts mean it is 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 advance 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 first half of year 2021, 1&1 continued to invest in the acquisition of new customers and in the retention of current customer relationships. Focus was on the marketing of mobile internet contracts.

The number of chargeable contracts in the segment "Access" rose by 0.28 million to 15.11 million contracts in the first half of 2021. In the mobile internet business, it was possible to acquire 0.31 million customer contracts, raising the number of contracts to 10.83 million. Broadband lines declined slightly by 30,000 contracts to 4.28 million.

Development of contracts in the first six months of 2021 (in millions)

	30/06/2021	31/03/2021	31/12/2020	Change HY1
Contracts in total	15.11	14.97	14.83	+0.28
of which mobile internet	10.83	10.66	10.52	+0.31
of which broadband lines	4.28	4.31	4.31	-0.03

The Group's operating business activities take place primarily in the reporting segment "Access". Revenues in the "Access" segment increased by €49.5 million (2.6 percent) to €1,930.7 million (HY1 2020: €1,881.2 million), and the high-margin service revenues included in this line item rose by 3.0 percent to €1,541.7 million (HY1 2020: €1,497.0 million). The first half of 2021 continued to be impacted by the effects of the coronavirus pandemic. The situation also affects the use behaviour of our customers, especially as a result of the travel

restrictions and the extensive regulations for working from home. The circumstances led to negative effects on our revenue and earnings figures similar to those of the previous year. Whether and to what extent the use behaviour of customers will return to normal after the lifting of the restrictions in Germany is currently not foreseeable. The assumption, however, is that normalisation will be slow and proceed one step at a time.

Segment EBITDA is €390.4 million (HY1 2020: €335.2 million). The EBITDA includes income relating to other periods resulting from the retroactive adjustment of advance services prices in the context of the national roaming agreement in the amount of €39.4 million.

Excluding income relating to other periods, the comparable operating EBITDA would have risen by 4.7 percent to €351.0 million.

Major revenue and profit indicators in the segment "Access"

	HY1 2021	HY1 2020	Change
Revenue (in €m)	1,930.7	1,881.2	+49.5
Service revenue (in €m)	1,541.7	1,497.0	+44.7
EBITDA (in €m)	390.4	335.2	+55.2
EBITDA operating (in €m)	351.0	335.2	+15.8

Quarterly development: Change over the same quarter of the previous year

	Q2 2021	Q2 2020	Change
Revenue (in €m)	957.0	940.4	+16.6
Service revenue (in €m)	779.6	749.2	+30.4
EBITDA (in €m)	181.0	168.4	+12.6
EBITDA operating (in €m)	176.0	168.4	+7.6

Development in the segment "5G"

The expenses and income relating to the preparation and conduct of the 5G frequency auction and resulting from the establishment, expansion and operation of the Company's own 5G mobile network are disclosed in the segment "5G". On 21 May, 1&1 concluded a long-term national roaming agreement with Telefónica Germany; its terms and conditions apply retroactively per 1 July 2020. This agreement regulates the shared use of the Telefónica network by 1&1 customers in areas not yet covered by 1&1 during the rollout phase of the new 5G network. Until the startup of the network, the existing MBA MVNO advance services agreement remains in effect with the same terms and conditions.

The EBITDA in the segment "5G" amounts to €-14.9 million (HY1 2020: €-5.6 million) and encompasses solely the expenditures relating to the acquisition of the 5G frequencies and the expenditures and income resulting from the preparations and the future rollout and operation of the Company's own 5G mobile network. As in the previous year, no revenues were realised in the "5G" segment.

Position of the Group

Earnings position

Contract customer business continues to be the growth driver for 1&1 AG. The number of chargeable contracts increased by 0.28 million over 31 December 2020 to 15.11 million.

Sales revenues rose in the first six months of 2021 by 2.6 percent from €1,881.2 million in the first half of 2020 to €1,930.7 million. The increase resulted from the continued rise in the number of contract customers and the related monthly payments. The sustainable and high-margin service revenues increased by 3.0 percent to €1,541.7 million. Other sales revenues increased by 1.2 percent from €384.2 million in the first half of 2020 to €389.0 million in the first six months of 2021. 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 sales, which exceeded our expectations in Q1 2021, were below our expectations in Q2 2021. Hardware business fluctuates seasonally and its development depends heavily on the attractiveness of new devices and the model cycles of manufacturers.

Cost of sales declined in the first six months of 2021 by €27.5 million (2.1 percent) to €1,313.9 million (HY1 2020: €1,341.4 million). The cost of sales includes the income relating to other periods of €39.4 million related to the national roaming agreement. Adjusted for income relating to other periods, there was an increase in cost of sales of €11.9 million (0.9 percent) to €1,353.3 million.

The gross profit margin came to 31.9 percent (HY1 2020: 28.7 percent). Gross profit in the first half of 2021 increased by €77.1 million (14.3 percent) from €539.7 million to €616.8 million. Adjusted for the income relating to other periods in cost of sales, gross profit in the first six months of 2021 amounted to €577.4 million (HY1 2020: €539.7 million) and the gross margin came to 29.9 percent (HY1 2020: 28.7 percent).

Distribution costs amounted to €235.2 million, 10.0 percent above the previous year's figure (€213.7 million). In relation to revenue, distribution costs in the first half of 2021 amounted to 12.2 percent (HY1 2020: 11.4 percent). The change results in particular from expenses relating to the sponsorship agreement with Borussia Dortmund (since July 2020) and additional investments in our brands.

Administrative expenses increased from €48.1 million in the first half of 2020 (2.6 percent of revenue) to €59.6 million in the first half of 2021 (3.1 percent of revenue) in particular as a result of higher expenses related to the planning and preparations for our 5G mobile network.

Other earnings declined to €8.7 million (HY1 2020: €12.1 million). Impairment losses on receivables and contract assets amounted to €34.4 million (HY1 2020: €35.9 million).

EBITDA amounted to €375.5 million in the first half of 2021 (HY1 2020: €329.6 million) and was 13.9 percent over the figure for the comparable period of the previous year. Excluding the income relating to other periods resulting from the national roaming agreement, comparable operating EBITDA would have increased by 2.0 percent to 336.1 million euros.

The EBITDA margin came to 19.4 percent (HY1 2020: 17.5 percent). The comparable EBITDA margin for the first half of 2021 was 17.4 percent.

Earnings before interest and taxes (EBIT) in the first half of 2021 amounted to €296.3 million (HY1 2020: €254.1 million). The comparable operating EBIT (excluding €39.4 million of income relating to other periods) was €256.9 million. The EBIT margin was 15.3 percent (HY1 2020: 13.5 percent) while the comparable operating EBIT margin was 13.3 percent. Excluding the impact from PPA amortisation, EBIT was €338.5 million and comparable operating EBIT was €299.1 million; EBIT margin was 17.5 percent and comparable operating EBIT margin was 15.5 percent (HY1 2020: €309.7 million and 16.5 percent, respectively).

The financial result was unchanged from the first half of the previous year at €-0.2 million. Just as in the past, the financing expenses relate almost entirely to the financing components from leasing agreements in accordance with IFRS 16. 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 half of 2021 amounted to €296.1 million (HY1 2020: €253.9 million). The comparable operating EBT (excluding €39.4 million of income relating to other periods) was €256.7 million.

After tax expenses in the amount of €88.9 million (HY1 2020: €69.2 million), the consolidated profit amounted to €207.3 million (HY1 2020: €184.7 million).

Undiluted profit per share in the first half of 2021 came to €1.18 (HY1 2020: €1.05). Excluding the effects of the PPA write-offs, the undiluted profit per share in the first half of 2021 amounted to €1.34 (HY1 2020: €1.27).

The undiluted comparable operating earnings per share amounted to €1.02 in the first half of 2021. The undiluted comparable operating earnings per share excluding PPA write-offs amounted to €1.19.

Major revenue and profit indicators (in €m)

	HY1 2021	HY1 2020	Change
Revenue	1,930.7	1,881.2	+49.5
Service revenues	1,541.7	1,497.0	+44.7
EBITDA	375.5	329.6	+45.9
EBITDA operating	336.1	329.6	+6.5
EBIT	296.3	254.1	+42.2
EBIT operating	256.9	254.1	+2.8

Financial position

Cash flow from operating activities rose compared to the first six months of the previous year to €283.5 million (HY1 2020: €258.0 million). At €185.8 million, net cash inflows from operating activities were below the figure for the comparable period of the previous year of €197.7 million. In addition to the advance payments made for the FTTH/VDSL contingent agreement that has been in effect since April 2021, there was an unchanged increase in committed funds because of higher hardware sales compared to the previous year, which are usually repaid over the term of the contract. Above all, the increase in accounts due to related parties and other non-financial liabilities had a compensating effect. While the increase in accounts due to related parties results in particular from a later offsetting of broadband advance services, the increase in other non-financial liabilities results primarily from the changed VAT regulations for purchased telecommunications services.

Cash flow from investment activities includes in particular payments for investments in intangible assets and tangible assets of €9.0 million (HY1 2020: €18.3 million) and the investment of free cash of €160.0 million (HY1 2020: €191.0 million). They relate to the short-term investment of free cash at United Internet AG within the framework of the current cash management agreement.

Free cash flow, defined as net inflow of funds from operating activities less investments in intangible and tangible assets plus inflow of funds from disposals of intangible and tangible assets, amounted to €177.6 million in the first half of 2021 and remained virtually unchanged over the previous year (HY1 2020: €179.4 million).

Just as in the previous year, cash flow from financing activities related to payments for the repayment of leasing liabilities (HY1 2021: €6.5 million; HY1 2020: €5.7 million) and the dividend payment (unchanged in comparison with the previous year at €8.8 million).

Cash and cash equivalents per 30 June 2021 amounted to €6.4 million (31 December 2020: €4.4 million).

Assets and liabilities

The balance sheet total increased from €6,690.3 million per 31 December 2020 to €6,974.6 million per 30 June 2021.

On the assets side, current assets increased by €205.9 million and non-current assets by €78.4 million.

Cash and cash equivalents (30 June 2021: €6.4 million; 31 December 2020: €4.4 million) and trade receivables (30 June 2021: €246.3 million; 31 December 2020: €232.4 million) are essentially at the year-end level. Accounts due from associated companies increased from €400.9 million per 31 December 2020 to €564.0 million per 30 June 2021, €560.0 million of which (31 December 2020: €400.0 million) comprises essentially accounts due from the short-term investment of free cash at United Internet AG.

Inventories increased by €4.0 million. The short-term contract assets include in particular receivables from the sale of hardware. The increase of €41.7 million is due above all to the increase in hardware sales, which are recognised as soon as contracts are concluded while the repayment is usually made over the terms of the contracts. Short-term prepaid expenses increased from €187.1 million to €213.9 million and concern essentially contract costs and prepaid utilisation fees that will not be recognised through expenditures until later periods. The increase mainly relates to advance payments made for FTTH and VDSL advance services purchases for the contingent agreement in effect since April 2021.

Other short-term financial assets amount to €21.3 million (31 December 2020: €23.6 million). Other non-financial assets declined from €53.7 million to €18.3 million and concern primarily short-term claims for income and value-added taxes.

Long-term assets amount to €5,215.5 million per 30 June 2021 and have increased slightly compared to 31 December 2020 (€5,137.0 million). At the same time, intangible assets fell by €67.2 million as a result 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 decreased by €3.7 million to €192.4 million per 30 June 2021. Long-term prepaid expenses increased from €142.7 million per 31 December 2020 to €291.3 million per 30 June 2021 and comprise basically advance payments made pursuant to long-term purchase contracts and long-term capitalised costs to obtain and fulfil contracts. The rise also results from the advance payments under the new FTTH and VDSL advance services agreement.

On the liabilities side, €84.3 million of the increase in the balance sheet total is attributable to liabilities and €199.9 million to equity. Short-term liabilities rose from €574.6 million per 31 December 2020 to

€666.6 million per 30 June 2021. Short-term accounts due to related parties rose from €55.8 million per 31 December 2020 to €140.3 million per 30 June 2021 because of a later billing date. Trade accounts payable amount to €240.3 million (31 December 2020: €319.9 million). Contract liabilities continue to 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 €9.4 million from €106.3 million to €115.7 million. Short-term other non-financial liabilities include in particular VAT liabilities. The increase is mainly due to the changed VAT regulations, according to which 1&1 has to pay the VAT for purchased telecommunications services itself. Income tax liabilities amount to €36.7 million (31 December 2020: €25.9 million).

Long-term liabilities amount to €1,254.3 million per 30 June 2021 over €1,262.0 million per 31 December 2020. Long-term liabilities in the amount of €886.4 million are unchanged with respect to the purchase price liabilities from the auction of the 5G mobile frequencies disclosed under other financial obligations. Deferred tax liabilities amount to €229.6 million per 30 June 2021 (31 December 2020: €234.0 million). The contract liabilities in the amount of €7.4 million (31 December 2020: €6.9 million) include deferred long-term income from one-time fees.

Group equity rose from €4,853.8 million per 31 December 2020 to €5,053.7 million per 30 June 2021. 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. Since the acquisition of treasury shares in fiscal years 2018 and 2019, the number of shares outstanding has been 176,264,649.

The change in equity mainly results from the consolidated result of €207.3 million and the dividend payment of €-8.8 million. The equity ratio remains unchanged over the end of 2020 at 72.5 percent.

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

Despite the ongoing challenges resulting from the coronavirus pandemic, 1&1 was able to increase the number of chargeable customer contracts by a total of 0.28 million to 15.11 million, thus further expanding its good position on the German telecommunications market. The high-margin service revenues also developed positively with an increase of 3.0 percent so that the 1&1 Management Board is satisfied with the first half of 2021.

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, opportunities and forecast report

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

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

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

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

The assessment of the risk of non-conclusion of a national roaming agreement as a necessary prerequisite for the roll-out and expansion of the Company's own 5G mobile network, which was reported in the 2020 annual financial statements under the strategic risk "Business development and innovations", has been mitigated by the conclusion of the national roaming agreement. This has an impact on the overall risk and opportunity situation, which to this extent has improved in comparison with the risk and opportunity reporting in the 2020 annual 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 semi-annual financial report was prepared.

The risks arising from the ongoing coronavirus pandemic, including those in the risk areas "Procurement market" and "External risks – personnel crises", have not changed significantly compared to the presentation in the consolidated financial statements per 31 December 2020. The spread of the virus has a negative impact on demand from consumers and businesses and may equally impair the procurement of advance services (e.g. smartphones, routers, servers or network technology) or the health and fitness of employees. Ultimately, the spread of the coronavirus also affects the performance capability of 1&1. A precise risk assessment is still not possible at the time this report was issued as the assessment of health experts and the measures introduced by the federal government and the German states are subject to frequent changes, creating uncertainty about future development.

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.

In its World Economic Outlook (Update), July 2021, the International Monetary Fund (IMF) expects an increase in economic output in the industrialized countries. This is based on the progress made in the vaccination progress in the fight against the coronavirus pandemic. Specifically, the IMF expects economic output in Germany to increase by 3.6 percent.

Economic Projection – Economic Development in Percent

	2022e	2021e	2020
Germany	4.1 %	3.6 %	-4.9%
World	4.9 %	6.0 %	-3.3%

Source: International Monetary Fund, World Economic Outlook (Update), July 2021

Industry / market expectations

At its 2021 semi-annual press conference, the industry association Bitkom certified strong growth for the ICT industry in Germany in the year to date following the pandemic-related decline in sales in 2020 (-0.6 percent). The association has adjusted its growth forecast for all of 2021 from the previous 2.6 percent to 4.0 percent and now expects total revenues of €178.2 billion.

Despite the positive market trend, however, Bitkom sees myriad uncertainties and considers the current situation to be fragile. The association points to the possible emergence of new coronavirus variants and a possible "fourth wave", the uncertain outcome of the Bundestag elections in autumn and the ongoing shortage of semiconductors.

For information technology, the largest sub-market, the industry association has increased its forecast for 2021 from the previous 4.2 percent to 6.6 percent (previous year: +0.2 percent) and expects revenues of €101.8 billion. The association sees mobile working and the rising number of people working from home as the main reasons for this. Yet substantial revenue increases are expected in all sectors. The strongest growth is expected in IT hardware – in particular in computers, servers and peripherals – posting a significant plus

of 10.9 percent to €33.2 billion. Revenues from Infrastructure-as-a-Service (IaaS), i.e. the business with rented servers and network and storage capacities, are expected to grow by 29.8 percent, from tablets by 19.0 percent and from mobile PCs by 18.0 percent. The sole decline is in the business with stationary desktop PCs (-5.0 percent). Even the software segment is expected to grow by 6.0 percent to €27.5 billion in revenues. The IT services business, which includes IT consulting, is expected to grow by 3.7 percent to €41.1 billion.

The industry association has also increased its forecast for the telecommunications sub-market for 2021 and currently expects an increase of 1.3 percent (previous year: -0.1 percent) to €67.5 billion following the forecast of 1.0 percent in growth at the beginning of the year. Bitkom calculates that telecommunications services will generate revenues of €49.1 billion, an increase of 1.4 percent. The business with devices will presumably be largely unchanged at €11.5 billion (+0.2 percent). A rise of 2.3 percent to €6.9 billion in investments in the telecommunications infrastructure is foreseen.

The German broadband and mobile internet market is of special importance to 1&1, especially in the business unit "Access" that is financed primarily by subscriptions.

Forecast for fiscal year 2021

The Management Board is confirming its forecast for fiscal year 2021 as a whole and is not changing its expectations of an increase in service revenues to approximately €3.10 billion (2020: €3.02 billion). The forecast for the EBITDA (excluding the income of €39.4 million relating to other periods because of the signing of the national roaming agreement) has been raised from approximately €650 million to approximately €670 million (2020: €468.5 million). This forecast includes €30 million in initial costs for the 5G network rollout.

General statement from the Management Board on presumable development

The 1&1 AG Management Board remains optimistic in its outlook for the future. 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.

Marketing and sales of Access products in the second half of 2021 will focus in particular on the marketing of mobile internet products. 1&1 intends to claim its share of market growth in this sector.

The conclusion of the national roaming agreement has created another important prerequisite for the roll-

out and expansion of its own high-performance 5G mobile network. The Management Board now expects to be able to conclude the contracts with the main network equipment suppliers in the near future and to start work on its network before the end of fiscal year 2021. With Rakuten Mobile, an important partner has already been contracted for the network rollout.

Following a successful start to the second half of 2021 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 2021."

Major accounting, valuation and consolidation principles

The semi-annual financial report of 1&1 AG per 30 June 2021 was prepared, as were the consolidated annual financial statements per 31 December 2020, 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 2020 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 2020.

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. The coronavirus pandemic 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 2021.

Use of key financial indicators relevant to business management

Financial performance indicators such as EBITDA, EBITDA margin, EBIT or EBIT margin 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 42 of the Annual Report 2020 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. There has been no change in the companies included in the consolidation in comparison with the consolidated annual financial statements per 31 December 2020.

No companies were acquired or sold in the 2021 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 2021

On August 4th, 1&1 signed a contract with Rakuten Mobile. As a general contractor, Rakuten Mobile will take over the installation and operation of the active network equipment in the 1&1 mobile network and will be fully responsible for its performance. This also includes the provision and implementation of the central orchestration software for the operation and automation of the 1&1 network. As part of the partnership, 1&1 has access to the entire technology, orchestration and partner ecosystem of Rakuten Mobile.

Maintal, den 5 August 2021

The Management Board



Ralph Dommermuth



Markus Huhn



Alessandro Nava

Interim financial statement for the first six months of 2021

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Consolidated Comprehensive Income Statement

from 1 January to 30 June 2021

	2021 January - June €k	2020 January - June €k
Sales	1,930,652	1,881,168
Cost of sales	-1,313,878	-1,341,441
Gross profit from revenues	616,774	539,727
Distribution costs	-235,159	-213,704
Administration costs	-59,592	-48,136
Other operating income / expenses	8,699	12,085
Impairment losses from receivables and contract assets	-34,436	-35,902
Results from operating activities	296,286	254,070
Financing expenses	-765	-465
Financial income	592	313
Profit before taxes	296,113	253,918
Tax expenses	-88,861	-69,208
Consolidated profit	207,252	184,710
Profit per share (in €)		
- undiluted	1.18	1.05
- diluted	1.16	1.05
Weighted average number of shares outstanding (in millions)		
- undiluted	176.26	176.26
- diluted	178.75	176.26
Rollover to total consolidated profit		
Consolidated profit	207,252	184,710
Categories that may subsequently be reclassified in the profit and loss account (net)	0	0
Categories that will not subsequently be reclassified in the profit and loss account (net)		
- Net profits or losses from equity instruments that are measured at fair market value as non-operating results in other results	0	0
Other results	0	0
Total consolidated profit	207,252	184,710

Consolidated Balance Sheet

per 30 June 2021

	30/06/2021 €k	31/12/2020 €k
Assets		
Short-term assets		
Cash and cash equivalents	6,397	4,360
Trade accounts receivable	246,292	232,437
Receivables due from associated companies	564,042	400,885
Inventories	81,413	85,366
Contract assets	607,454	565,793
Prepaid expenses	213,908	187,081
Other financial assets	21,312	23,639
Other non-financial assets	18,335	53,736
	1,759,153	1,553,297
Long-term assets		
Other financial assets	2,243	1,992
Tangible assets	123,206	122,800
Intangible assets	1,673,393	1,740,591
Goodwill	2,932,943	2,932,943
Contract assets	192,369	196,049
Prepaid expenses	291,296	142,665
	5,215,450	5,137,040
Total assets	6,974,603	6,690,337

	30/06/2021 €k	31/12/2020 €k
Liabilites and equity		
Short-term liabilities		
Trade accounts payable	240,299	319,866
Liabilities due to associated companies	140,254	55,800
Contract liabilities	46,445	44,110
Other provisions	3,703	5,299
Other financial liabilities	115,703	106,283
Other non-financial liabilities	83,416	17,269
Income tax liabilities	36,738	25,933
	666,558	574,560
Long-term liabilities		
Contract liabilities	7,363	6,917
Other provisions	45,191	46,444
Other financial liabilities	972,143	974,651
Deferred tax liabilities	229,644	234,005
	1,254,341	1,262,017
Total liabilities	1,920,899	1,836,577
Equity		
Share capital	193,891	193,891
Capital reserves	2,433,559	2,432,054
Cumulative consolidated results	2,427,274	2,228,835
Other equity	-1,020	-1,020
Total equity	5,053,704	4,853,760
Total liabilities and equity	6,974,603	6,690,337

Consolidated Cash Flow Statement

from 1 January to 30 June 2021

	2021 January - June €k	2020 January - June €k
Results from operating activities		
Consolidated profit	207,252	184,710
Allowances for rollover of consolidated profit to incoming and outgoing payments		
Amortisation and Depreciation on intangible and tangible assets	31,928	14,662
Depreciation on assets capitalised within the framework of corporate acquisitions	47,290	60,871
Personnel expenses from employee stock ownership programmes	1,505	754
Changes in the adjustment items for deferred tax assets	-4,361	-3,369
Correction profits/losses from the sale of tangible assets	-67	407
Cash flow from operating activities	283,547	258,035
Changes in assets and liabilities		
Change in receivables and other assets	23,874	-31,258
Change in contract assets	-37,981	-31,190
Change in inventories	3,953	-21,186
Change in prepaid expenses	-175,458	29,099
Change in trade accounts payable	-79,567	7,095
Change in other provisions	-2,850	-907
Change in income tax liabilities	10,805	12,946
Change in other liabilities	75,353	-3,772
Change in receivables due from/liabilities due to associated companies	81,297	-18,810
Change in contract liabilities	2,782	-2,317
Changes in assets and liabilities, total	-97,792	-60,300
Net inflow of funds from operating activities	185,755	197,735

	2021 January - June €k	2020 January - June €k
Cash flow from investments		
Investments in intangible and tangible assets	-9,028	-18,321
Inflow of funds from disposal of intangible and tangible assets	892	4
Investments in other financial assets	-251	-215
Outflow of funds for the grant of loans to associated companies	-160,000	-191,000
Net outflow of funds in investment sector	-168,387	-209,532
Cash flow from financing sector		
Dividend payment	-8,813	-8,813
Repayment of leasing liabilities and rights of use	-6,518	-5,678
Net outflow of funds in financing sector	-15,331	-14,491
Net increase/decline in cash and cash equivalents	2,037	-26,288
Cash and cash equivalents at beginning of fiscal year	4,360	31,785
Cash and cash equivalents at end of reporting period	6,397	5,497

Consolidated Change in Equity Statement

	Share capital		Capital reserves	Cumulative consolidated results	Other equity	Total equity
	Denomination	€k	€k	€k	€k	€k
Per 1 January 2020	176,264,649	193,891	2,429,876	2,018,055	-976	4,640,846
Consolidated profit				184,710		184,710
Total results				184,710		184,710
Dividend payment				-8,813		-8,813
Employee stock ownership programme			754			754
Per 30 June 2020	176,264,649	193,891	2,430,631	2,193,952	-976	4,817,498
Per 1 January 2021	176,264,649	193,891	2,432,054	2,228,835	-1,020	4,853,760
Consolidated profit				207,252		207,252
Total results				207,252		207,252
Dividend payment				-8,813		-8,813
Employee stock ownership programme			1,505			1,505
Per 30 June 2021	176,264,649	193,891	2,433,559	2,427,274	-1,020	5,053,704

Explanatory Comments on the Consolidated Interim Financial Statements

30 June 2021

1. General information about the Company and the financial statements

1&1 Group, together with 1&1 Aktiengesellschaft (formerly 1&1 Drillisch Aktiengesellschaft), Maintal, the listed parent company (hereinafter: "1&1 AG" or "Company" or, along with its subsidiaries, "1&1" or "Group"), is a telecommunications provider that operates solely and exclusively in Germany. With more than 15.1 million contracts, 1&1 is a leading internet specialist and is authorised to use one of the largest fibre optic networks in Germany because of its affiliation with the company 1&1 Versatel GmbH, Düsseldorf, a member of the United Internet AG corporate group. As a virtual mobile network operator, 1&1 has guaranteed access to up to 30 percent of the capacity of Telefónica's mobile network in Germany (so-called Mobile Bitstream Access Mobile Virtual Network Operator = MBA MVNO). In addition, 1&1 utilises capacities in Vodafone's mobile network. The Group's business unit Access offers landline and mobile network-based internet access products. They include, among others, chargeable 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 planning to build its own mobile network using the 5G mobile frequencies that were acquired in the auction in 2019.

Company headquarters of 1&1 AG are at Wilhelm-Röntgen-Strasse 1-5 in 63477 Maintal, Germany, and the Company is registered under the number HRB 7384 at Hanau Local Court.

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 2021 was prepared, just as the consolidated annual financial statements per 31 December 2020, 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 2021 to 30 June 2021 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 2020. 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 2021.

Standard		Mandatory application for fiscal years beginning as of	Adoption by EU Commission
IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	Interest Rate Benchmark Reform	01/01/2021	yes
IFRS 4	Deferral of IFRS 9	01/01/2021	yes
IFRS 16	Leases Covid 19-Related Rent Concessions	01/04/2021	no

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 2020. The coronavirus pandemic 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 2021.

2.3 Miscellaneous

All major subsidiaries are included in the consolidated interim financial statements. The scope of consolidation has not changed compared to the consolidated financial statements per 31 December 2020.

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 "5G".

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 "5G". As of this moment, no revenues have been realised in the segment "5G" in fiscal year 2021.

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 sales revenues, of the segment cost of sales, the number of subscribers and the adjusted earnings before interest, taxes and depreciation and amortisation (adjusted 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 2021 is presented below:

	Access €k	5G €k	Total €k
Revenues with third parties	1,930,652	0	1,930,652
Segment revenues	1,930,652	0	1,930,652
Cost of materials external third parties	-1,313,878	0	-1,313,878
Cost of materials for segment	-1,313,878	0	-1,313,878
Segment EBITDA	390,444	-14,940	375,504
Customer contracts (in millions)	15.11	-	15.11

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

The segment reporting of 1&1 Group for the reporting period from 1 January to 30 June 2020 is presented below:

	Access €k	5G €k	Total €k
Revenues with third parties	1,881,168	0	1,881,168
Segment revenues	1,881,168	0	1,881,168
Cost of materials external third parties	-1,341,441	0	-1,341,441
Cost of materials for segment	-1,341,441	0	-1,341,441
Segment EBITDA	335,222	-5,619	329,603
Customer contracts (in millions)	14.57	-	14.57

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

	2021 January - June €k	2020 January - June €k
Total segment profits (EBITDA)	375,504	329,603
Amortisation and depreciation	-79,218	-75,533
Operating results	296,286	254,070
Financial results	-173	-152
Profit before taxes on income	296,113	253,918

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:

	2021 January - June €m	2020 January - June €m
Service revenues	1,541.7	1,497.0
Hardware other revenues	389.0	384.2
Total	1,930.7	1,881.2

Sales revenues in the first half of 2021 increased by €49.5 million (2.6 percent) to €1,930.7 million (previous year: €1,881.2 million).

4. Cost of sales

Cost of sales fell in the first half of 2021 by €27.5 million (-2.1 percent) to €1,313.9 million (previous year: €1,341.4 million). This figure includes income from other periods from the retroactive price adjustment for MBA MVNO advance services for 2020 in the amount of €39.4 million.

5. Personnel expenses

Personnel expenses for the reporting period 2021 amounted to €102,486k (previous year: €96,809k). At the end of June 2021, 1&1 Group employed a workforce of 3,184 (31 December 2020: 3,191).

6. Write-offs

Total amortisation of intangible assets and depreciation on tangible assets during the reporting period 2021 amounted to €79,218k (previous year: €75,533k).

Depreciation and amortisation of assets capitalised in relation to company acquisitions amounted to €47,290k (previous year: €60,871k).

Amortization of intangible assets and depreciation of property, plant and equipment acquired directly amounted to €31,928k (previous year: €14,662k). Thereof €16,500 are related to the rights similar to concessions 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 €18,502k (previous year: €19,621k) from trade receivables and €15,934k (previous year: 16,281k) 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 2020.

8. Accounts due from associated companies

Accounts due from associated companies in the amount of €564,042k (31 December 2020: €400,885k) 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, €560,000k (31 December 2020: €400,000k) 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 €9,028k (HY1 2020: €18,321k) was invested in tangible and intangible assets during the interim reporting period.

Tangible assets rose by €406k from €122,800k per 31 December 2020 to €123,206k per 30 June 2021. During the reporting period, rights of use for land and buildings amounting to €3,937k and rights of use for fixtures, fittings and equipment amounting to €835k were added.

Intangible assets declined as scheduled from €1,740,591k per 31 December 2020 to €1,673,393k per 30 June 2021 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 2021. The acquired frequency blocks will not be amortised until actual 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 €291,296k per 30 June 2021 (31 December 2020: €142,665k) and include mainly advance payments made under long-term purchase agreements of €176,887k (31 December 2020: €23,055k), costs to obtain contracts of €79,382k (31 December 2020: €81,624k) and costs to fulfil contracts of €35,027k (31 December 2020: €37,985k).

11. Short-term accounts due to associated companies

Short-term accounts due to associated companies per 30 June 2021 amount to €140,254k (31 December 2020: €55,800k) 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 2021 in the amount of €972,143k (31 December 2020: €974,651k) relate mainly to frequency liabilities in the amount of €886,389k (31 December 2020: €886,389k) and obligations pursuant to leasing agreements in the amount of €83,162k (31 December 2020: €85,702k).

13. Share capital / Own shares

The share capital remains unchanged at €193,891,113.9 per 30 June 2021. The share capital is distributed in 176,764,649 no-par shares issued to the bearer with a proportionate share in the share capital of €1.10 each and represents the share capital of 1&1 AG. In fiscal years 2018 and 2019, a total of 500,000 1&1 AG shares were acquired as part of the stock repurchase programme, reducing the number of shares outstanding to 176,264,649 shares.

14. Employee stock ownership models

Stock Appreciation Rights (SAR)

Income from stock appreciation rights (SAR) amounted to €389k in the first half of 2021.

Stock Appreciation Rights Drillisch (SAR Drillisch)

Expenses from the stock appreciation rights Drillisch (SAR Drillisch) amounted to €1,505k in the first half of 2021.

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 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
Financial assets						
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
Financial liabilities						
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 2020.

Per 30 June 2021, the Management Board members held the following stock in 1&1 AG:

Per the closing date 30 June 2021, United Internet AG, Montabaur, held 76.97 percent of the stock in 1&1 AG. Per 30 June 2021, Mr Ralph Dommermuth in turn holds indirectly through holding companies more than 43 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 2021:

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, €15,003k (previous year: €14,789k) 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 €91,002k (previous year: €81,402k) 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 €3,118k (previous year: €1,569k).

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 €89k in the reporting period 2021 (previous year: €89k).

The following table shows rights of use concerning related parties:

	Carrying amount 31/12/2020 €k	Addition of fiscal year €k	Amortization/ depreciation €k	Disposals of fiscal year €k	Carrying amount 30/06/2021 €k
Right of use assets	61,549	2,708	-2,879	-579	60,799

The following table shows lease liabilities concerning related parties:

	Carrying amount 31/12/2020 €k	Addition of fiscal year €k	Redemption/ Interest €k	Disposals of fiscal year €k	Carrying amount 30/06/2021 €k
Lease liabilities	61,970	2,708	-2,598	-583	61,497

1&1 AG has concluded a long-term contract with United Internet group company 1&1 Versatel GmbH for the procurement of FTTH and VDSL wholesale services, which has been running since 1 April 2021. In parallel, 1&1 Versatel GmbH has concluded an agreement with Deutsche Telekom for the use of its FTTH/VDSL household lines. These agreements run until 2031.

17. Events after 30 June 2021

On August 4th, 1&1 signed a contract with Rakuten Mobile. As a general contractor, Rakuten Mobile will take over the installation and operation of the active network equipment in the 1&1 mobile network and will be fully responsible for its performance. This also includes the provision and implementation of the central orchestration software for the operation and automation of the 1&1 network. As part of the partnership, 1&1 has access to the entire technology, orchestration and partner ecosystem of Rakuten Mobile.

Maintal, 5 August 2021

1&1 Aktiengesellschaft



Ralph Dommermuth



Markus Huhn



Alessandro Nava

Consolidated Comprehensive Income Statement, Quartely Development

in m€

	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2020 Q2
Sales	932.6	973.1	973.7	956.9	940.4
Cost of sales	-687.6	-852.8	-651.5	-662.4	-673.3
Gross profit from revenues	245.1	120.4	322.2	294.5	267.1
Distribution costs	-117.3	-111.3	-114.3	-120.9	-107.2
Administration costs	-25.1	-26.1	-31.6	-28.0	-22.8
Other operating income / expenses	4.4	15.6	4.1	4.6	7.5
Impairment losses from receivables and contract assets	-19.9	-26.6	-18.0	-16.5	-16.9
Results from operating activities	87.0	-28.0	162.6	133.7	127.7
Financial results	0.0	-0.3	-0.2	0.0	0.0
Profit before taxes	87.0	-28.3	162.4	133.7	127.7
Tax expenses	-31.4	7.6	-48.7	-40.1	-31.2
Consolidated profit	55.6	-20.7	113.7	93.6	96.5
Profit per share (in €)					
- undiluted	0.32	-0.12	0.64	0.53	0.55
- diluted	0.32	-0.12	0.64	0.52	0.55
Rollover to total consolidated profit					
Consolidated profit	55.6	-20.6	113.7	93.6	96.5
Categories that may subsequently be reclassified in the profit and loss account (net)	0.0	0.0	0.0	0.0	0.0
Categories that will not subsequently be reclassified in the profit and loss account (net)					
- Net profits or losses from equity instruments that are measured at fair market value as non-operating results in other results	0.0	0.0	0.0	0.0	0.0
Other results	0.0	0.0	0.0	0.0	0.0
Total consolidated profit	55.6	-20.6	113.7	93.6	96.5

Affirmation Statement of the Legal Representatives

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.

Maintal, 5 August 2021



Ralph Dommermuth



Markus Huhn



Alessandro Nava

Other

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Investor Relations Corner

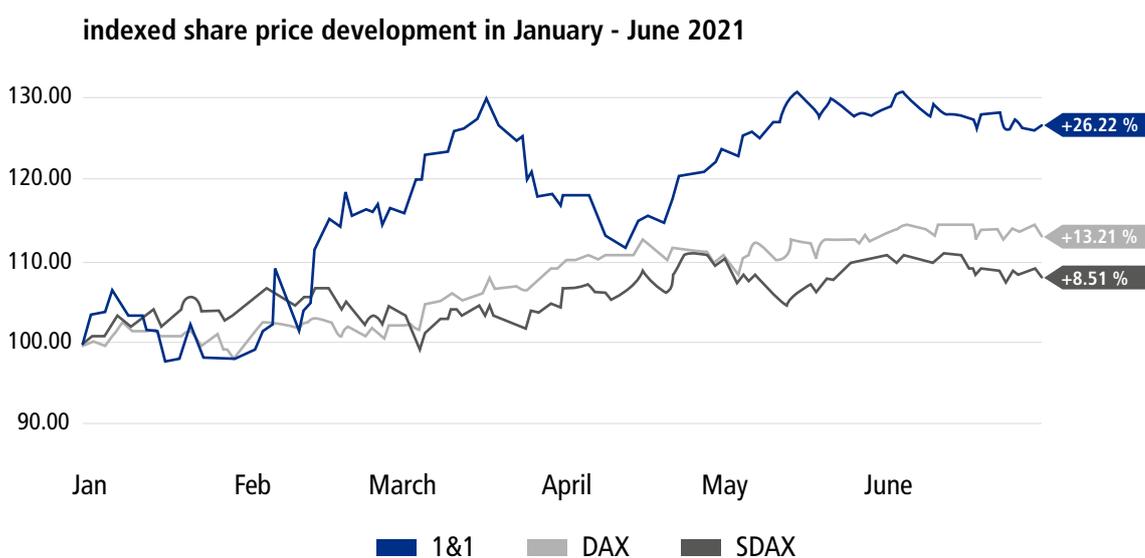
1. Investor Relations

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 2021

	2020 year end	30 June 2021	% change
1&1	€20.44	€25.80	+ 26.22
DAX	13,718.78	15,531.04	+ 13.21
MDAX	30,796.26	34,049.86	+ 10.56
SDAX	14,764.89	16,021.03	+ 8.51
TecDAX	3,212.77	3,564.07	+ 10.93

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



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

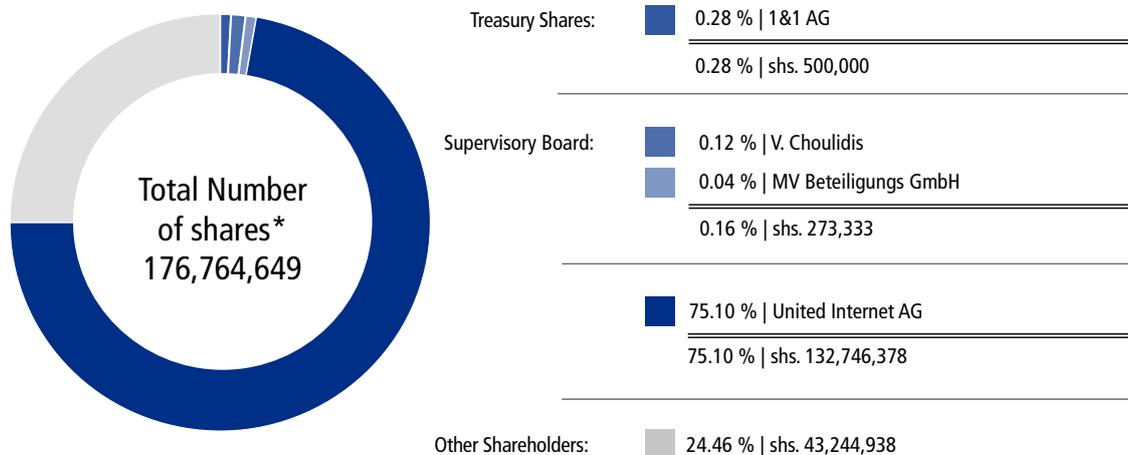
3. Current Analyst Assessments (Last Revised 28 July 2021)

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

Analyse	Votum	Kursziel	Datum
Warburg	„Buy“	€45.00	27/07/2021
UBS	„Hold“	€26.00	12/07/2021
Warburg	„Buy“	€45.00	15/06/2021
DZ Bank	„Hold“	€27.00	07/06/2021
Warburg	„Buy“	€45.00	25/05/2021

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>

4. Shareholder Structurer (Last Revised 2 March 2021)



Free Float as per definition of Dt. Boerse AG: 24.62 %

* Per voting rights publications

Source: <https://www.1und1.ag/investor-relations>

Financial Events Calendar*

05 August 2021 6-Month Report 2021, Press and Analyst Meeting

09 November 2021 Quarterly Statement Q3 2021

* These provisional dates are subject to change.

Contacts

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

Investor Relations:

Wilhelm-Röntgen-Straße 1-5
D - 63477 Maintal

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

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

E-Mail: ir@1und1.ag

Press:

Wilhelm-Röntgen-Straße 1-5
D - 63477 Maintal

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

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

E-Mail: presse@1und1.de

Legal Information

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

Company Headquarters:

Wilhelm-Röntgen-Straße 1-5
D - 63477 Maintal

Telephone: +49 (0) 61 81 / 412 3

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

Investor Relations Contact:

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

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

E-Mail: ir@1und1.ag

Commercial Register Entry:

HRB 7384 Hanau

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 since March 16, 2021)

Kai-Uwe Ricke (Deputy Chairman)

Matthias Baldermann (since May 26, 2021)

Dr Claudia Borgas-Herold

Vlasios Choulidis

Norbert Lang

Michael Scheeren (until February 23, 2021)

Disclaimer:

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

Future-oriented Statements:

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



1&1 AG

Wilhelm-Röntgen-Str. 1-5
63477 Maintal
Deutschland

www.1und1.ag