



Interim Statement

Q3 2021

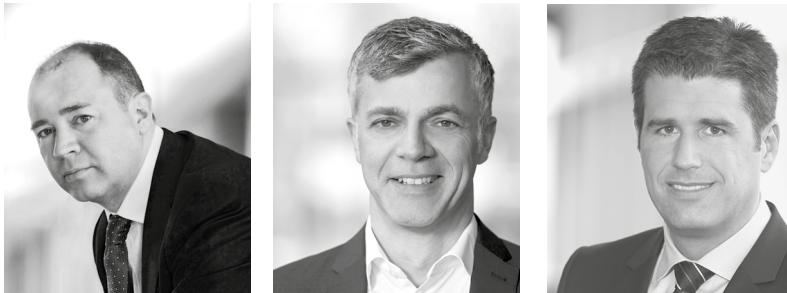
Data & Facts

Selected Performance Indicators	9M 2021	9M 2020	Change	Q3 2021	Q3 2020	Change	Q2 2021	Q1 2021	Q4 2020
Profit in €M									
Revenues	2,902.1	2,813.7	3.1%	971.3	932.6	4.2%	957.0	973.7	973.1
Service revenues	2,335.8	2,258.0	3.4%	794.1	761.0	4.4%	779.6	762.1	762.0
Other revenues	566.3	555.7	1.9%	177.2	171.6	3.2%	177.4	211.6	211.1
EBITDA	552.0	456.6	20.9%	176.5	127.0	39.0%	173.2	202.3	11.9
EBITDA operating	512.6	475.8	7.7%	176.5	146.2	20.7%	168.2	167.9	162.0
EBIT	430.5	341.1	26.2%	134.2	87.0	54.2%	133.7	162.6	-28.0
EBIT operating	391.1	360.3	8.5%	134.2	106.2	26.3%	128.7	128.2	122.1
EBIT excluding PPA write-offs	493.9	418.1	18.1%	155.4	108.4	43.3%	154.8	183.7	-6.9
EBIT operating excluding PPA write-offs	454.5	437.4	3.9%	155.4	127.6	21.7%	149.8	149.3	143.2
EBT	430.0	341.0	26.1%	133.9	87.0	53.8%	133.7	162.4	-28.3
EBT operating	390.6	360.2	8.5%	133.9	106.2	26.0%	128.7	128.0	121.8
EBT operating excluding PPA write-offs	454.0	341.0	33.1%	154.9	127.6	21.4%	149.9	149.1	143.0
Profit per share (in €)	1.72	1.36	26.3%	0.55	0.32	73.0%	0.53	0.64	-0.12
Profit per share operating (in €)	1.57	1.44	8.8%	0.55	0.39	39.9%	0.51	0.51	0.48
Profit per share excluding PPA write-offs (in €)	1.97	1.67	18.2%	0.63	0.40	57.2%	0.61	0.73	-0.03
Profit per share operating excluding PPA write-offs (in €)	1.82	1.75	3.9%	0.63	0.48	31.2%	0.59	0.59	0.56
Cash flow in €M									
Net inflow of funds from operating activities	239.4	390.5	-38.7%	53.5	192.8	-72.2%	84.6	101.2	60.2
Net outflow of funds in investment sector	-217.8	-400.2	45.6%	-49.4	-190.6	74.1%	-72.6	-95.8	2.8
Free cash flow	218.8	197.5	10.8%	41.2	18.1	127.4%	80.0	97.6	46.2
	30/09/2021	31/12/2020	Change	30/09/2021	31/12/2020	Change	30/06/2021	31/03/2021	31/12/2020
Headcount (incl. management board)									
Total per end of September	3,170	3,191	-0.7%	3,170	3,191	0.7%	3,184	3,183	3,191
Customer contracts (in millions)									
Access, contracts	15.27	14.83	3.0%	15.27	14.83	3.0%	15.11	14.97	14.83
of which mobile internet	11.01	10.52	4.7%	11.01	10.52	4.7%	10.83	10.66	10.52
of which broadband (ADSL, VDSL, FTTH)	4.26	4.31	-1.2%	4.26	4.31	-1.2%	4.28	4.31	4.31
Balance sheet (in €M)									
Short-term assets	1,783.8	1,553.3	14.8%	1,783.8	1,553.3	14.8%	1,759.2	1,729.0	1,553.3
Long-term assets	5,170.5	5,137.0	0.7%	5,170.5	5,137.0	0.7%	5,215.5	5,105.8	5,137.0
Shareholders' equity	5,150.7	4,853.8	6.1%	5,150.7	4,853.8	6.1%	5,053.7	4,967.8	4,853.8
Balance sheet total	6,954.3	6,690.3	3.9%	6,954.3	6,690.3	3.9%	6,974.6	6,834.8	6,690.3
Equity ratio	74.1%	72.5%		74.1%	72.5%		72.5%	72.7%	72.5%

Content

2	Data & Facts
4	Letter from the Management Board
7	Quarterly release per 30 September 2021
8	Status of the rollout of a mobile network
10	Course of business
13	Position of the Group
18	Risks and opportunities report
19	Forecast report
20	Explanatory comments on the Quarterly release
22	Consolidated Financial Statements per 30 September 2021
23	Consolidated Comprehensive Income Statement
24	Consolidated Balance Sheet
26	Consolidated Cash Flow Statement
28	Consolidated Change in Equity Statement
29	Segment reporting
30	Other
31	Financial Events Calendar
31	Contacts
32	Legal Information

Letter from the Management Board



Dear Shareholders,

1&1 continued its path of growth in the first nine months of fiscal year 2021 and once again expanded its customer base and increased the EBITDA and service revenues.

Alongside the continuation of normal operating business, the first nine months were marked by the preparations for the launch of our mobile network.

Following the successful conclusion of a long-term national roaming agreement with Telefónica Germany in May 2021, which will provide our customers with nationwide mobile coverage even in areas not yet served by 1&1 during the roll-out phase of our 5G network, we announced a far-reaching partnership with the Japanese technology group and proven OpenRAN expert Rakuten in August 2021.

1&1, the newcomer and fourth network operator in Germany, will build Europe's first fully virtualised mobile network based on the new OpenRAN technology – moving away from traditional proprietary networks, which are often provided in their entirety by a single network outfitter, towards a fully cloud-based, non-proprietary network architecture that exploits the potential of 5G to the full. By bringing Rakuten on board, which as a newcomer in Japan has been successfully rolling out the world's first OpenRAN mobile network since April 2020, we have acquired an experienced partner to act as the general contractor whose learning curve will benefit us.

In the next step, we will conclude the negotiations with the so-called tower companies now in progress, which will give us access to numerous antenna locations that are already in operation. This will save us valuable time in the acquisition of sites. The connection of the sites to the fibre optic network will be carried out by our affiliate 1&1 Versatel; as our infrastructure service provider, it will also be responsible for the operation of our data centres.

In 2021, we were once again proud to receive numerous awards underlining our role as one of Germany's leading providers of mobile internet products and broadband lines, including top scores for our premium brand 1&1 in the highly-respected tests conducted by the trade journal connect. 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. Just as in the previous years, 1&1 received the overall rating of "Excellent" in the connect landline test. In addition to innovative products at market-leading prices, the quality of the 1&1 Customer Service is one of our key differentiators. Transparency and trust are our priorities here, so it will come as no surprise that we are pleased about the honours awarded by Focus Money ("Fairest Customer Hotline") and the German Institute for Service Quality in conjunction with ntv ("Fairest Internet Provider") in October 2021.

Now for the operating side of the business

During the first nine months of 2021, we were able to increase the number of customer contracts by 440,000 to 15.27 million contracts (Q4 2020: 14.83 million). While broadband lines decreased in the first nine months by 50,000 contracts to 4.26 million (Q4 2020: 4.31 million), the number of customer contracts in the mobile internet segment rose strongly by 490,000 to 11.01 million (Q4 2020: 10.52 million). Compared to Q3 2020, the number of mobile internet customer contracts grew by 650,000.

Our revenues increased by 3.1 percent to €2.902 billion (9M 2020: €2.814 billion). The high-margin service revenues included in this figure rose by 3.4 percent to €2.336 billion in the first nine months of 2021 (9M 2020: €2.258 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 the first nine months of 2021 by 1.9 percent to €566.3 million (9M 2020: €555.7 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) increased by €95.4 million to €552.0 million during the first nine months of fiscal year 2021 (9M 2020: €456.6 million). This includes €39.4 million income relating to other periods, related to the terms and conditions of the new national roaming agreement applicable retroactively from 1 July 2020 in the MBA MVNO advance services agreement. Out of the aforementioned non-period income, an amount of €19.2 million is attributable to Q3 2020. The comparable operating EBITDA in the first nine months of 2021 (without aforementioned non-period items in 2021 and 2020) was at €512.6 million and 7.7 percent above the previous year's level (comparable operating EBITDA 9M 2020: €475.8 million).

The EBITDA of the "5G" segment contained in the total EBITDA of the first nine months of 2021 amounts to €-24.5 million (9M 2020: €-8.4 million) and includes the startup costs related to the planning and realisation of the rollout of our mobile network.

Free cash flow came to €218.8 million (€197.5 million in the first nine months of 2020). While the free cash flow of the first nine months of the previous year includes a one-off payment to Telefónica of €165.0 million, the free cash flow for the first nine months of 2021 includes advance payments pursuant to the new (combined) FTTH/VDSL contingent agreement, which has been in effect since April 2021. These advance payments have tied up additional liquidity in the amount of €154.7 million in prepaid expenses.

We confirm our forecast for the year 2021 as a whole and expect service revenues to increase to approximately €3.10 billion and an EBITDA before non-period items of approximately €670 million. This forecast includes the 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 readiness to perform, which we value especially highly in the current situation. 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, November 2021

Quarterly release per 30 September 2021

- 8 Status of the rollout of a mobile network
- 10 Course of business
- 13 Position of the Group
- 18 Risks and opportunities report
- 19 Forecast report
- 20 Explanatory comments on the Quarterly release

Status of the rollout of a mobile network

The Company's acquisition of 5G frequencies in 2019 set the course for the construction of its own 5G mobile network.

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 an initial term until 30 June 2025 that 1&1 can renew unilaterally until 30 June 2029; after this time, a further renewal of a maximum of five years is possible by negotiation. Thanks to this agreement and the MBA MVNO agreement, 1&1 secures long-term access to the Telefónica mobile network and guarantees seamless mobile services coverage during the rollout 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.

In August 2021, 1&1 announced a far-reaching partnership with Rakuten, a Japanese technology group and proven OpenRAN expert. 1&1, the newcomer and fourth network operator in Germany, will be joined by Rakuten acting as the general contractor to build Europe's first fully virtualised mobile network based on the new OpenRAN technology – moving away from traditional proprietary networks, which are often provided in their entirety by a single network outfitter, towards a fully cloud-based, non-proprietary network architecture

that exploits the potential of 5G to the full. Rakuten, a newcomer in Japan, has been successfully rolling out the world's first OpenRAN mobile network since April 2020.

The next step in the rollout of the Company's own mobile network is the imminent conclusion of the contracts for the provision of passive infrastructure. The cooperation with the so-called tower companies gives 1&1 access to thousands of previously constructed antenna sites, a major factor for the acceleration of the rollout. The connection of the sites to the fibre optic network will be carried out by the affiliate 1&1 Versatel; as infrastructure service provider, it will also be responsible for the operation of the data centres.

Course of business

Development in the segment "Access"

The group's chargeable mobile access and landline products, including the related applications (such as home networks, online storage, telephony, video on demand or IPTV), are grouped together in the segment "Access". 1&1 operates exclusively in Germany and its 15.27 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 networks is enhanced by offerings of devices, own developments of applications and services to set the Company apart from its competitors.

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

1&1 has continued to invest in the acquisition of new customers and in the retention of current customer relationships in 2021. Focus of activities has been on the marketing of mobile internet contracts.

The number of chargeable contracts in the segment "Access" rose by 0.44 million to 15.27 million contracts in the first three quarters of 2021. In the mobile internet business, it was possible to acquire 0.49 million customer contracts, raising the number of contracts to 11.01 million. Broadband lines declined by 50,000 contracts to 4.26 million.

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

	30/09/2021	30/06/2021	31/03/2021	31/12/2020	Change 9M
Contracts in total	15.27	15.11	14.97	14.83	+0.44
of which mobile internet	11.01	10.83	10.66	10.52	+0.49
of which broadband lines	4.26	4.28	4.31	4.31	-0.05

Revenues in the "Access" segment increased by €88.4 million (3.1 percent) to €2,902.1 million (9M 2020: €2,813.7 million), and the high-margin service revenues included in this line item rose by 3.4 percent to €2,335.8 million (9M 2020: €2,258.0 million). The first three quarter 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. In the first half of the year in particular, there were negative effects on our revenue and earnings figures comparable to the

previous year. In the third quarter of 2021, relaxed travel regulations in particular provided a slight easing of tensions, although a normalisation is not yet in sight. Whether and to what extent the use behaviour of customers will return to normal after the complete lifting of the restrictions in Germany is currently not foreseeable. The assumption, however, is still that normalisation will be slow and proceed one step at a time.

Segment EBITDA is €576.5 million (9M 2020: €465.0 million). This includes €39.4 million in income related to other periods, of which €19.2 million is attributable to Q3 2020, and results from the terms and conditions of the new national roaming agreement applicable retroactively from 1 July 2020 in the MBA MVNO advance services agreement.

Excluding this effect, comparable operating EBITDA in the first nine months of 2021 would be €537.1 million, 10.9 percent above the previous year's level (comparable operating EBITDA 9M 2020: €484.2 million).

Major revenue and profit indicators in the segment "Access"

	9M 2021	9M 2020	Change
Revenue (in €m)	2,902.1	2,813.7	+88.4
Service revenue (in €m)	2,335.8	2,258.0	+77.8
EBITDA (in €m)	576.5	465.0	+111.5
EBITDA operating (in €m)	537.1	484.2	+52.9

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

	Q3 2021	Q3 2020	Change
Revenue (in €m)	971.3	932.6	+38.7
Service revenue (in €m)	794.1	761.0	+33.1
EBITDA (in €m)	186.0	129.8	+56.2
EBITDA operating (in €m)	186.0	149.0	+37.0

"5G" segment

The expenses and income relating to the preparation and conduct of the 5G frequency auction and resulting in the future from the rollout, expansion and operation of the Company's own 5G mobile network are disclosed in the segment "5G". In May 2021, 1&1 concluded a long-term national roaming agreement with Telefónica Germany regulating the shared use of the Telefónica network by 1&1 customers in areas not yet served 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.

In August 2021, 1&1 was able to announce a far-reaching partnership with Rakuten, a Japanese technology group and proven OpenRAN expert. In cooperation with Rakuten, 1&1 plans to create the first fully virtualised mobile network based on the new OpenRAN technology, which enables a completely cloud-based and manufacturer-independent network architecture. Rakuten, a newcomer to the market, has been successfully rolling out the world's first OpenRAN mobile network in Japan since April 2020.

Negotiations also continued with potential site operators who will be responsible for providing the passive infrastructure. The affiliate 1&1 Versatel, which will also provide the data centre infrastructure, will be in charge of connecting the sites to the fibre optic network.

The EBITDA in the "5G" segment in the amount of €-24.5 million (9M 2020: €-8.4 million) includes solely costs related to the preparations and realisation of the future rollout and operation of the Company's own 5G mobile network. The worsening of the result compared to the previous year is due to the increased preparatory measures for the rollout of the mobile network, which include the successful contract negotiations with our partners as well as our own planning activities. 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. The number of chargeable contracts increased by 0.44 million over 31 December 2020 to 15.27 million.

Sales revenues rose in the first nine months of 2021 by 3.1 percent from €2,813.7 million to €2,902.1 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 3.4 percent to €2,335.8 million. Other sales revenues increased by 1.9 percent from €555.7 million in the first nine months of 2020 to €566.3 million in the first nine 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 revenue fluctuates seasonally and depends heavily on the attractiveness of new devices and the model cycles of manufacturers.

Cost of sales declined in the first three quarters of 2021 by €39.6 million (1.9 percent) to €1,989.5 million (9M 2020: €2,029.0 million). The cost of sales includes the positive effects of €39.4 million related to the national roaming agreement. Of the income related to other periods, €19.2 million is attributable to increased advance services prices in the third quarter of 2020. Adjusted for income relating to other periods, cost of sales increased by €19.1 million (1.0 percent) from €2,009.8 million in the first nine months of 2020 to €2,028.9 million in the first nine months of 2021.

The gross profit margin came to 31.4 percent (9M 2020: 27.9 percent). Gross profit in the first nine months of 2021 increased by €127.9 million (16.3 percent) from €784.7 million to €912.6 million. Adjusted for the income relating to other periods in cost of sales, gross profit in the first nine months of 2021 amounted to €873.2 million (9M 2020: €803.9 million) and the gross margin came to 30.1 percent (9M 2020: 28.6 percent).

Distribution costs amounted to €348.9 million, 5.4 percent above the previous year's figure (€331.1 million). In relation to revenues, distribution costs in the first three quarters of 2021 amounted to 12.0 percent (9M 2020: 11.8 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 €73.3 million in the first nine months of 2020 (2.6 percent of revenues) to €95.5 million in the first nine months of 2021 (3.3 percent of revenues) in particular as a result of higher expenses related to the planning and preparations for our 5G mobile network.

Other earnings declined to €14.6 million (9M 2020: €16.5 million). Impairment losses on receivables and contract assets amounted to €52.4 million (9M 2020: €55.8 million). In the course of procedural changes during the year, the dunning fees were partially reduced, which leads to lower other income on the one side and equally reduced impairments on receivables on the other, meaning there is no effect on earnings.

The EBITDA amounted to €552.0 million in the first nine months of 2021 (9M 2020: €456.6 million) and was 20.9 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 7.7 percent to €512.6 million (9M 2020: €475.8 million).

The EBITDA margin came to 19.0 percent (9M 2020: 16.2 percent). The comparable EBITDA margin for the first nine months of 2021 was 17.7 percent (9M 2020: 16.9 percent).

Earnings before interest and taxes (EBIT) in the first three quarters of 2021 amounted to €430.5 million (9M 2020: €341.1 million). Comparable operating EBIT was €391.1 million (9M 2020: €360.3 million). The EBIT margin was 14.8 percent (9M 2020: 12.1 percent) while the comparable EBIT margin was 13.5 percent (9M 2020: 12.8 percent). Excluding the impact of PPA amortisation, the EBIT was €493.9 million (9M 2020: €418.1 million) and comparable operating EBIT was €454.5 million (9M 2020: €437.4 million); the EBIT margin was 17.0 percent (9M 2020: 14.9 percent) and comparable EBIT margin was 15.7 percent (9M 2020: 15.5 percent).

Financial results amounted to €-0.5 million (9M 2020 year: €-0.2 million). Just as in the past, the financing expenses relate almost entirely to the financing components from leases 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 nine months of 2021 amounted to €430.0 million (9M 2020: €341.0 million). Comparable operating EBT was €390.6 million (9M 2020: €360.2 million).

After tax expenses in the amount of €126.6 million (9M 2020: €100.6 million), the consolidated profit amounted to €303.4 million (9M 2020: €240.3 million).

Undiluted profit per share in the first three quarters of 2021 came to €1.72 (9M 2020: €1.36). Excluding the effects of the PPA write-offs, the undiluted profit per share in the first nine months of 2021 amounted to €1.97 (9M 2020: €1.67).

The undiluted comparable operating profit per share in the first nine months of 2021 came to €1.57 (9M 2020: €1.44). The undiluted comparable operating profit per share excluding PPA write-offs amounted to €1.82 (9M 2020: €1.75).

Major revenue and profit indicators (in €m)

	9M 2021	9M 2020	Change
Revenues	2,902.1	2,813.7	88.4
Service revenues	2,335.8	2,258.0	77.8
EBITDA	552.0	456.6	95.4
EBITDA operating	512.6	475.8	36.8
EBIT	430.5	341.1	89.4
EBIT operating	391.1	360.3	30.8

Financial position

Cash flow from operating activities totals to €418.6 million and rose in comparison with the first three quarters of the previous year by €70.8 million (9M 2020: €347.8 million). At €239.4 million, net cash inflows from operating activities were below the figure of €390.5 million for the comparable period of the previous year. 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, which are usually repaid over the term of the contract, compared to the previous year. In addition, there was an increase in funds tied up in working capital, in particular due to earlier invoicing for procurement advance services.

Cash flow from investing activities includes in particular payments for investments in intangible and tangible assets of €20.7 million (9M 2020: €193.1 million) and the investment of free cash and cash equivalents of €197.0 million (9M 2020: €207.0 million). They relate to the short-term investment of free cash at United Internet AG within the framework of the current cash management agreement. The investment cash flow of the previous year included the contractual one-off payment of €165.0 million for the acquisition of a right similar to concessions.

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 €218.8 million in the first nine months of 2021 and was higher than the figure of the previous year (9M 2020: €197.5 million).

Just as in the previous year, cash flow from financing activities related to payments for the repayment of leasing liabilities (9M 2021: €9.0 million; 9M 2020: €8.3 million) and to dividend payment (unchanged in comparison with the previous year at €8.8 million).

Assets and liabilities

The balance sheet total increased from €6,690.3 million per 31 December 2020 to €6,954.3 million per 30 September 2021.

On the assets side, current assets accounted for €230.6 million and fixed assets for €33.5 million.

Per 30 September 2021, cash and cash equivalents amount to €8.1 million (31 December 2020: €4.4 million) and trade receivables amount to €255.3 million (31 December 2020: €232.4 million). Accounts due from associated companies increased from €400.9 million per 31 December 2020 to €600.6 million per 30 September 2021, €597.0 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 decreased by €8.4 million because of the balance sheet date. The short-term contract assets include in particular receivables from the sale of hardware. The increase of €43.5 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. Prepaid expenses increased from €187.1 million to €203.0 million and concern essentially contract costs and prepaid utilisation fees that will not be recognised through expenditures until later periods. The increase relates mainly 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 €20.1 million (31 December 2020: €23.6 million). Other non-financial assets declined from €53.7 million to €10.5 million and concern primarily short-term claims for income and value-added taxes.

Long-term assets amount to €5,170.5 million per 30 September 2021 and increased slightly compared to 31 December 2020 (€5,137.0 million).

At the same time, intangible assets fell by €103.1 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 €8.4 million to €187.6 million per 30 September 2021. Long-term prepaid expenses increased from €142.7 million per 31 December 2020 to €281.4 million per 30 September 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 results from the advance payments under the new FTTH and VDSL advance services agreement.

On the liabilities side, debt decreased by €32.9 million compared to 31 December 2020 while equity increased by €297.0 million.

Short-term debt declined from €574.6 million per 31 December 2020 to €556.8 million per 30 September 2021. Trade accounts payable amount to €202.9 million (31 December 2020: €319.9 million). In addition to an earlier invoicing for procurement of advance services, the decrease in liabilities is mainly due to the changed VAT regulations for telecommunication services that require 1&1 to pay the VAT for procured telecommunication services itself. The corresponding increase in other non-financial liabilities relates mainly to VAT that must be paid.

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 €10.2 million from €106.3 million to €116.5 million. Income tax liabilities amount to €34.8 million (31 December 2020: €25.9 million).

Long-term liabilities amount to €1,246.8 million per 30 September 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 €225.4 million per 30 September 2021 (31 December 2020: €234.0 million). The contract liabilities in the amount of €7.3 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 €5,150.7 million per 30 September 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 results mainly from the consolidated result of €303.4 million and the dividend payment of €-8.8 million. The equity ratio amounts to 74.1 percent (31 December 2020: 72.5 percent).

Risks and opportunities report

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

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

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

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

The assessment of the risk of non-conclusion of a national roaming agreement as a necessary prerequisite for the rollout and expansion of the Company's own 5G mobile network that 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 quarterly release 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

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. The forecast for EBITDA, which was increased during the year from €650 million to €670 million (excluding the income relating to other periods of €39.4 million), is also confirmed. This forecast includes the approximately €30 million in initial costs as previously stated for the 5G network rollout.

Future-oriented statements and forecasts

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

Explanatory comments on the Quarterly release

Information About the Company

1&1 Group, together with 1&1 Aktiengesellschaft (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 15.3 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 planning to build its own mobile network using the 5G mobile frequencies that were acquired in the auction in 2019.

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

Major accounting, valuation and consolidation principles

The quarterly release from 1&1 AG per 30 September 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).

This quarterly release does not constitute an interim report within the sense of IAS 34. The accounting and valuation principles applied in the quarterly release are exactly the same as the methods applied per 31 December 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.

Use of assumptions and estimates

During preparation of the quarterly release, management makes discretionary decisions as well as estimates and assumptions that affect the amounts of the income, expenses, assets and liabilities disclosed on the closing date and the disclosure of contingent liabilities. The uncertainty related to these assumptions and estimates may lead to results that in future require substantial restatements in the carrying value of the relevant assets or liabilities.

Use of key financial indicators relevant to business management

Financial performance indicators such as EBITDA, EBITDA margin, EBIT, EBIT margin 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 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. The scope of consolidation has not changed compared to the consolidated financial statements per 31 December 2020.

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

Consolidated Financial Statements per 30 September 2021

- 23 Consolidated Comprehensive Income Statement
- 24 Consolidated Balance Sheet
- 26 Consolidated Cash Flow Statement
- 28 Consolidated Change in Equity Statement
- 29 Segment reporting

Consolidated Comprehensive Income Statement

from 1 January to 30 September 2021

	2021 January - September €k	2020 January - September €k
Sales	2,902,067	2,813,747
Cost of sales	-1,989,470	-2,029,035
Gross profit from revenues	912,597	784,712
Distribution costs	-348,871	-331,053
Administration costs	-95,452	-73,258
Other operating income / expenses	14,593	16,476
Impairment losses from receivables and contract assets	-52,354	-55,765
Results from operating activities	430,513	341,112
Financing expenses	-1,359	-855
Financial income	843	702
Profit before taxes	429,997	340,959
Tax expenses	-126,562	-100,643
Consolidated profit	303,435	240,316
Profit per share (in €)		
- undiluted	1.72	1.36
- diluted	1.70	1.35
Weighted average number of shares outstanding (in millions)		
- undiluted	176,26	176,26
- diluted	178,75	177,53
Rollover to total consolidated profit		
Consolidated profit	303,435	240,316
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	303,435	240,316

Consolidated Balance Sheet

per 30 September 2021

	30/09/2021 €k	31/12/2020 €k
Assets		
Short-term assets		
Cash and cash equivalents	8,097	4,360
Trade accounts receivable	255,328	232,437
Receivables due from associated companies	600,591	400,885
Inventories	76,977	85,366
Contract assets	609,312	565,793
Prepaid expenses	203,019	187,081
Other financial assets	20,068	23,639
Other non-financial assets	10,455	53,736
	1,783,847	1,553,297
Long-term assets		
Other financial assets	2,243	1,992
Tangible assets	128,745	122,800
Intangible assets	1,637,522	1,740,591
Goodwill	2,932,943	2,932,943
Contract assets	187,635	196,049
Prepaid expenses	281,414	142,665
	5,170,502	5,137,040
Total assets	6,954,349	6,690,337

	30/09/2021 €k	31/12/2020 €k
Liabilities and equity		
Short-term liabilities		
Trade accounts payable	202,938	319,866
Liabilities due to associated companies	69,219	55,800
Contract liabilities	46,982	44,110
Other provisions	3,361	5,299
Other financial liabilities	116,468	106,283
Other non-financial liabilities	83,051	17,269
Income tax liabilities	34,810	25,933
	556,829	574,560
Long-term liabilities		
Contract liabilities	7,312	6,917
Other provisions	44,642	46,444
Other financial liabilities	969,462	974,651
Deferred tax liabilities	225,390	234,005
	1,246,806	1,262,017
Total liabilities	1,803,635	1,836,577
Equity		
Share capital	193,891	193,891
Capital reserves	2,434,387	2,432,054
Cumulative consolidated results	2,523,456	2,228,835
Other equity	-1,020	-1,020
Total equity	5,150,714	4,853,760
Total liabilities and equity	6,954,349	6,690,337

Consolidated Cash Flow Statement

from 1 January to 30 September 2021

	2021 January - September €k	2020 January - September €k
Results from operating activities		
Consolidated profit	303,435	240,316
Allowances for rollover of consolidated profit to incoming and outgoing payments		
Amortisation and Depreciation on intangible and tangible assets	50,522	30,625
Depreciation on assets capitalised within the framework of corporate acquisitions	70,935	84,867
Personnel expenses from employee stock ownership programmes	2,333	1,439
Changes in the adjustment items for deferred tax assets	-8,615	-9,484
Correction profits/losses from the sale of tangible assets	0	117
Other items not affecting payments	-1	-67
Cash flow from operating activities	418,609	347,813
Changes in assets and liabilities		
Change in receivables and other assets	23,962	-22,056
Change in contract assets	-35,106	-45,019
Change in inventories	8,389	10,669
Change in prepaid expenses	-154,687	41,531
Change in trade accounts payable	-116,928	69,746
Change in other provisions	-3,740	-1,703
Change in income tax liabilities	8,878	17,051
Change in other liabilities	76,038	4,145
Change in receivables due from/liabilities due to associated companies	10,713	-32,026
Change in contract liabilities	3,267	352
Changes in assets and liabilities, total	-179,214	42,690
Net inflow of funds from operating activities	239,395	390,503

	2021 January - September €k	2020 January - September €k
Cash flow from investments		
Investments in intangible and tangible assets	-20,689	-193,063
Inflow of funds from disposal of intangible and tangible assets	128	98
Investments in other financial assets	-251	-215
Outflow of funds for the grant of loans to associated companies	-197,000	-207,000
Net outflow of funds in investment sector	-217,812	-400,180
Cash flow from financing sector		
Dividend payment	-8,813	-8,813
Repayment of leasing liabilities and rights of use	-9,033	-8,340
Net outflow of funds in financing sector	-17,846	-17,153
Net increase/decline in cash and cash equivalents	3,737	-26,830
Cash and cash equivalents at beginning of fiscal year	4,360	31,785
Cash and cash equivalents at end of reporting period	8,097	4,955

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				240,316		240,316
Total results				240,316		240,316
Dividend payment				-8,813		-8,813
Employee stock ownership programme			1,439			1,439
Per 30 September 2020	176,264,649	193,891	2,431,315	2,249,558	-976	4,873,788
Per 1 January 2021	176,264,649	193,891	2,432,054	2,228,835	-1,020	4,853,760
Consolidated profit				303,435		303,435
Total results				303,435		303,435
Dividend payment				-8,813		-8,813
Employee stock ownership programme			2,333			2,333
Per 30 September 2021	176,264,649	193,891	2,434,387	2,523,456	-1,020	5,150,714

Segment reporting

from 1 January to 30 September 2021

	Access €k	5G €k	Total €k
Revenues with third parties	2,902,067	0	2,902,067
Segment revenues	2,902,067	0	2,902,067
Cost of materials external third parties	-1,989,470	0	-1,989,470
Cost of materials for segment	-1,989,470	0	-1,989,470
Segment EBITDA	576,466	-24,496	551,970
Customer contracts (in millions)	15,27	-	15,27

from 1 January to 30 September 2020

	Access T€	5G T€	Gesamt T€
Revenues with third parties	2,813,747	0	2,813,747
Segment revenues	2,813,747	0	2,813,747
Cost of materials external third parties	-2,029,035	0	-2,029,035
Cost of materials for segment	-2,029,035	0	-2,029,035
Segment EBITDA	464,994	-8,391	456,603
Customer contracts (in millions)	14,68	-	14,68

Other

31 Financial Events Calendar

31 Contacts

32 Legal Information

Financial Events Calendar

09 November 2021

Quarterly Statement Q3 2021

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.de

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.de

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