



Interim statement
Q3 2023

Data & Facts

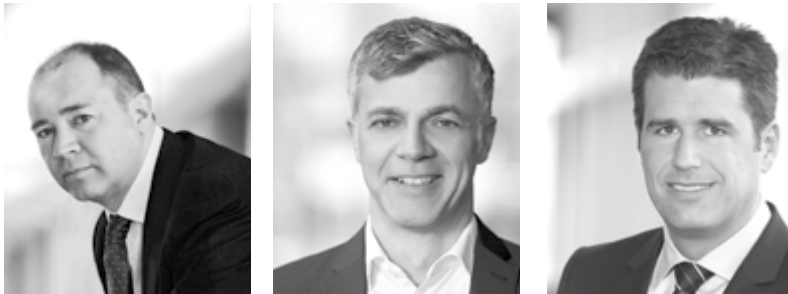
Selected Performance Indicators	9M 2023	9M 2022	Change	Q3 2023	Q3 2022	Change	Q2 2023	Q1 2023	Q4 2022
Profit (in €m)									
Revenues	3,031.8	2,950.3	2.8%	1,038.7	998.3	4.0%	972.1	1,021.0	1,013.4
Service revenues	2,418.9	2,386.7	1.3%	834.3	804.8	3.7%	795.7	788.9	788.7
Hardware and Other revenues	612.9	563.6	8.7%	204.4	193.5	5.6%	176.4	232.1	224.7
EBITDA	511.1	549.0	-6.9%	159.1	180.8	-12.0%	169.9	182.1	144.3
EBITDA Segment Access	584.9	575.8	1.6%	192.1	191.5	0.3%	191.5	201.3	169.9
EBITDA Segment 1&1 Mobile Network	-73.8	-26.8		-33.0	-10.7		-21.6	-19.2	-25.6
EBIT	363.7	428.8	-15.2%	109.6	141.1	-22.3%	120.7	133.4	106.1
EBIT excluding PPA write-offs	406.5	491.3	-17.3%	123.8	161.3	-23.2%	135.0	147.7	107.3
EBT	370.0	424.2	-12.8%	112.4	139.7	-19.5%	122.8	134.8	107.3
EBT excluding PPA write-offs	412.8	486.7	-15.2%	126.6	159.9	-20.8%	137.1	149.1	108.5
Profit per share (in €)	1.44	1.68	-14.3%	0.42	0.55	-23.6%	0.49	0.53	0.40
Profit per share excluding PPA write-offs (in €)	1.60	1.93	-17.1%	0.47	0.63	-25.4%	0.54	0.59	0.41
Cash flow (in €m)*									
Net inflow of funds from operating activities	213.0	179.5	18.7%	190.0	-60.8		-76.8	99.8	0.1
Net outflow of funds in investment sector	-181.4	-155.7	16.5%	-180.6	64.0		92.6	-93.4	60.6
Free cash flow	79.2	96.1	-17.6%	137.2	-93.0		-117.6	59.6	-161.6
	30/09/2023	31/12/2022	Change	30/09/2023	31/12/2022	Change	30/06/2023	31/03/2023	31/12/2022
Headcount (incl. management board)									
Total per end of September	3,244	3,163	2.6%	3,244	3,163	2.6%	3,237	3,218	3,163
Customer contracts (in millions)									
Access, contracts	16.11	15.78	2.1%	16.11	15.78	2.1%	15.96	15.87	15.78
of which mobile internet	12.10	11.68	3.6%	12.10	11.68	3.6%	11.91	11.80	11.68
of which broadband (ADSL, VDSL, FTTH)	4.01	4.10	-2.2%	4.01	4.10	-2.2%	4.05	4.07	4.10
Balance sheet (in €m)									
Short-term assets	2,043.2	1,855.2	10.1%	2,043.2	1,855.2	10.1%	1,891.2	1,963.3	1,855.2
Long-term assets	5,627.4	5,401.9	4.2%	5,627.4	5,401.9	4.2%	5,610.9	5,390.2	5,401.9
Shareholders' equity	5,825.4	5,579.8	4.4%	5,825.4	5,579.8	4.4%	5,751.8	5,674.2	5,579.8
Balance sheet total	7,670.6	7,257.1	5.7%	7,670.6	7,257.1	5.7%	7,502.2	7,353.5	7,257.1
Equity ratio	75.9%	76.9%		75.9%	76.9%		76.7%	77.2%	76.9%

*For the reporting year 2022, adjustments have been made to the presentation of cash inflows and outflows for interest in the consolidated cash flow statement.

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Letter from the Management Board



Dear Shareholders,

1&1 continued its path of growth in the first nine months of fiscal year 2023 and once again expanded its customer base and service revenues. EBITDA in the Access operating segment also increased.

In the first nine months of the fiscal year, the focus was on driving forward the rollout of the 1&1 mobile network. From December, we also want to offer smartphone tariffs based on our innovative OpenRAN. Our network is then fully functional.

We have set the course for this next major milestone in recent months. Our network was connected with all national and international networks and the functionality of mobile services was tested with external customers.

There are currently 2 core data centres and 23 decentralised edge data centres in operation. There are already 81 regional far-edge data centres connected via fibre optics.

As we wanted to provide to our customers the market standard 5G even during the construction phase of the 1&1 mobile network in places where we do not yet have our own network coverage, we agreed a far-reaching roaming partnership with Vodafone in August. 5G national roaming on Vodafone's network is now being technically developed and will be fully available to us as of summer 2024.

In the meantime, we will of course continue to offer marketable smartphone tariffs until summer 2024. Until then, we want to supply new 5G customers on the basis of 5G MVNO wholesale services on a transitional basis. We already offer 4G smartphone tariffs in combination with Telefónica roaming via our own network from December 2023.

A decision on the application for this service that we have submitted to the Federal Network Agency is expected in November.

We demonstrated that this OpenRAN technology is fully functional with the operational startup of our first service, "5G at home", in December 2022. So we are very well positioned in terms of current technologies. We are all the more pleased that we are now also making noticeable progress with the passive infrastructure – the antenna sites.

Despite further delivery failures at our main partner, deployment of radio masts are improving overall – the ramp-up gained momentum in the second half of the year as announced. At the end of the third quarter, we had 503 antenna sites (passive infrastructure as co-location). By the end of the year, we want to increase this number to approximately 1,000 sites available to us for the installation of our high-performance 5G antennas and the connection to fibre optic.

Thanks to the rapid increase in capacities provided by our rollout partners, we are able to keep our sights firmly on our targets of supplying a quarter of German households by the end of 2025 and half of them by the end of 2030.

Our decision in favour of the 1&1 OpenRAN means we are building a state-of-the-art mobile network in Europe – fully virtualised in a private cloud and in preparation for real-time applications. Unlike traditional architectures, which are often provided by only one network supplier, our network has standardised interfaces enabling us to work flexibly with the most secure and best providers on the market. Around 100 companies are already involved in building our network with hardware, software and services. The result is the creation of a new digital ecosystem without the participation of dominant equipment suppliers such as Huawei. The efforts of the incumbent network operators to convert parts of their existing networks to the new technology is a clear indication of the dominance OpenRAN technology will have in future mobile networks.

We are looking forward to the successful launch of Germany's fourth mobile network and to the difference we as an innovation driver will be able to make on the German mobile market.

For 30 years now, 1&1, one of the leading German telecommunications providers, has been a symbol of how innovative and attractive products and service vitalise and mould competition while simultaneously being recognised for offering good value for its customers' money. Yet the Company does not rely on attractive prices alone; quality and service are further key differentiators for private and business customers. We were again delighted to receive prestigious awards that emphatically underscored our high standards in the first nine months of the year.

For example, 1&1's broadband rate plans were rated as "Excellent" in the "Complete Check of Landline Network Providers" conducted by the reputable trade magazine connect. In no fewer than two user profiles – "Budget Users" and "Normal Users" – 1&1 received the top rating of "Outstanding" as the test victor in two categories. The ranking procedure focused on the categories price, network quality and service performance.

We are also particularly pleased with the result from this year's connect "Mobile Services Hotline Test" in which 1&1 scored 435 out of a possible 500 points and was rated "Excellent". We scored particularly well in the categories of accessibility, waiting time, voice command system and friendliness.

And our IPTV offering was also convincing: in a test conducted by the consumer magazine of *FUNKE Medien-gruppe IMTEST* in April, 1&1 emerged as the test winner. An overall rating of "Excellent" secured 1&1 IPTV's first place ahead of Deutsche Telekom and Vodafone.

Now for the operating side of the business

1&1 has continued its path of growth in the first nine months of 2023 and once again increased its customer base, service revenues and the EBITDA in the Access operating segment.

The number of customer contracts grew by 330,000 to 16.11 million contracts (31 December 2022: 15.78 million). Our growth was based on the acquisition of 420,000 new mobile internet contracts, bringing the total to 12.10 million at the end of Q3 2023, while the number of broadband lines fell by 90,000 to 4.01 million in the same period, as expected.

The high-margin Service revenues increased by 1.3 percent to €2.419 billion in the first nine months of the fiscal year 2023 (9M 2022: €2.387 billion). Total revenues increased by 2.8 percent to €3.032 billion (9M 2022: €2.950 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 by €49.3 million (8.7 percent) to €612.9 million (9M 2022: €563.6 million) as a consequence of higher sales volumes and rising prices for devices. Hardware business fluctuates seasonally and its development depends heavily on the attractiveness of new devices and the model cycles of manufacturers.

Consolidated EBITDA (earnings before interest, taxes, depreciation and amortisation) decreased by €37.9 million (6.9 percent) to €511.1 million in the first nine months of the year (9M 2022: €549.0 million). The EBITDA of the 1&1 Mobile Network segment included in the total EBITDA amounts to €-73.8 million in the first nine months of fiscal year 2023 (9M 2022: €-26.8 million) and, as planned, included the higher costs of the rollout of our mobile network. The EBITDA in our Access operating segment rose once again by 1.6 percent and amounted to €584.9 million (9M 2022: €575.8 million).

Profit per share in the first nine months of 2023 came to €1.44 (9M 2022: €1.68). Precluding the effects of the PPA write-offs, the profit per share amounted to €1.60 (9M 2022: €1.93).

Free cash flow in the first nine months of 2023 amounted to €79.2 million (9M 2022: €96.1 million). Free cash flow includes investments of €123.3 million (9M 2022: €75.4 million), primarily for the expansion of our mobile network. In line with our forecast, these investments will increase further in the fourth quarter.

We are confirming our guidance for fiscal year 2023 and are not changing our expectations of an increase in customer contracts of approximately 500,000. Service revenues will presumably increase by approximately 2 percent to about €3.23 billion (2022: €3.175 billion) and the EBITDA should be approximately €655 million (2022: €693.3 million). The Access segment and its growth of approximately 4 percent to about €775 million (2022: €745.7 million), while in the 1&1 Mobile Network segment and its start-up costs for the rollout of the 5G network in the amount of circa €-120 million (2022: €-52.4 million) will contribute to this result. The investment volume (cash capex) is expected to be around €320 million (2022: about €250 million).

1&1 is well positioned for the next steps in the Company's development. We are optimistic about the future. We want to express our special thanks to all of our employees for their commitment and work and to our shareholders and business partners for the trust they have placed in 1&1.

Best regards from Montabaur,



Ralph Dommermuth



Markus Huhn



Alessandro Nava

Montabaur, November 2023

Quarterly release as at 30 September 2023

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Principles of the Group

Business model

1&1 – only MBA MVNO on the German mobile market and rollout of the 1&1 Mobile Network

1&1 Group, together with 1&1 Aktiengesellschaft, Montabaur, the listed parent company (hereinafter: “1&1 AG” or, along with its subsidiaries, “1&1” or “Group”), is a telecommunications provider that operates in Germany. The Group is managed via the two business segments: Access and 1&1 Mobile Network.

1&1 can use one of the largest fibre optic networks in Germany that is operated by its affiliate 1&1 Versatel GmbH, Düsseldorf (hereinafter: “1&1 Versatel”), a member of the United Internet AG Group. As a virtual mobile network operator, 1&1 also has guaranteed access to as much as 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 and other broadband network operators.

1&1’s Access segment offers internet access products based on broadband and mobile networks. In the 1&1 Mobile Network segment, 1&1 is currently constructing Europe’s first fully virtualised mobile network based on the innovative OpenRAN technology using the 5G frequency blocks procured during the auction in 2019. At the end of 2022, the 1&1 Mobile Network became operational with the launch of the “5G at home” service. The activation of the mobile services is scheduled for 8 December 2023. The new network will then be fully functional.

Course of business

Development in the Access segment

The Group’s chargeable mobile and broadband products, including the related applications (such as home networks, online storage, telephony, video on demand or IPTV), are grouped together in the Access segment.

1&1 uses the landline network of the affiliate 1&1 Versatel, a member company of United Internet AG Group, and the access right to the Telefónica network (MBA MVNO). In addition, it rents standardised network services from further wholesalers. Pursuant to the agreement with 1&1 Versatel 1&1 has also access to regional networks and broadband household lines of City Carriers as well as Deutsche Telekom. The complete packages provided by 1&1 Versatel are enhanced by offerings of devices, own developments of applications and services to set the Company apart from its competitors.

The Access products are offered via well-known brands as 1&1, smartmobil.de or yourfone, which address specific target groups on the market. The 1&1 Group covers the entire range from premium rate plans with above-average service standards to discount rate plans for price-conscious customers.

In the first three quarters of 2023, 1&1 continued to invest in the acquisition of new customers and in the retention of current customer relationships. Focus of activities was on the marketing of mobile internet contracts.

The number of chargeable contracts in the Access segment rose by 330,000 to 16.11 million contracts in the first three quarters of 2023. In the mobile internet business, it was possible to acquire 420,000 customer contracts, raising the number of contracts to 12.10 million. Broadband lines declined by 90,000 to 4.01 million contracts. Due to the ongoing migration from ADSL connections to VDSL connections, 1&1 expects to be able to stop the trend in the fourth quarter of 2023 and then no longer lose any broadband customers.

Development of contracts in the first nine months of 2023 (in millions)

	30/9/2023	30/6/2023	31/3/2023	31/12/2022	Change Q3
Contracts in total	16.11	15.96	15.87	15.78	+0.33
of which mobile internet	12.10	11.91	11.80	11.68	+0.42
of which broadband lines	4.01	4.05	4.07	4.10	-0.09

Customer contracts are marketed in the Access reporting segment while the 1&1 Mobile Network segment as the infrastructure provider ensures access to the mobile network, so sales revenues are generated exclusively in the Access segment. The segment reporting is aligned with the internal organisation and reporting structure.

Revenues in the Access segment increased by €81.5 million (2.8 percent) to €3,031.8 million (9M 2022: €2,950.3 million), and the high-margin service revenues included in this line item rose by 1.3 percent to €2,418.9 million (9M 2022: €2,386.7 million).

The segment EBITDA increased by 1.6 percent to €584.9 million (9M 2022: €575.8 million).

Major revenue and profit indicators in the Access segment

	9M 2023	9M 2022	Change
Sales revenue (in €m)	3,031.8	2,950.3	+81.5
Service revenue (in €m)	2,418.9	2,386.7	+32.2
EBITDA (in €m)	584.9	575.8	+9.1

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

	Q3 2023	Q3 2022	Change
Sales revenue (in €m)	1,038.7	998.3	+40.4
Service revenue (in €m)	834.3	804.8	+29.5
EBITDA (in €m)	192.1	191.5	+0.6

1&1 Mobile Network segment

In the first nine months of fiscal year 2023, the spotlight in the 1&1 Mobile Network segment was on the ramp up of the mobile network and preparations for the launch of the mobile services.

Wishing to be able to supply customers with the market standard 5G wherever 1&1 does not yet have its own coverage even during the construction phase of the 1&1 Mobile Network, 1&1 Mobilfunk GmbH concluded a binding preliminary agreement with Vodafone GmbH for a long-term national roaming partnership in August 2023.

In this binding preliminary agreement, the parties committed to the conclusion of a final national roaming contract agreement as soon as possible. The national roaming cooperation will include the non-discriminatory provision of national roaming services in areas not yet covered by the new 1&1 Mobile Network and will in particular include access to Vodafone's 5G network, including both the 2G and 4G mobile standards as well as future technologies.

Vodafone's national roaming services are expected to become available in summer 2024. The basic term of the national roaming cooperation commencing at that time will be five years. 1&1 Mobile Network will have the option to renew the term of the national roaming cooperation for a maximum of two periods of five years each – i.e. for up to ten years beyond the initial term. The end of the agreement will be followed by a three-year transition period.

The calculation basis is a so-called capacity model in which 1&1 remunerates the share of the Vodafone network used by its customers on a percentage basis at a fixed price per percentage point. This fixed price changes from time to time in line with the percentage cost development of the Vodafone network. Terms

and conditions are geared to future market developments and enable 1&1 to offer consistently competitive services at all times.

As 1&1 wishes to be able to offer to its customers marketable rate plans during the transition until the start of Vodafone's national roaming services, the Company plans to offer to its 5G new customers 5G technology using MVNO services purchased wholesale from Vodafone by summer 2024. To this end, 1&1 has submitted an application to the Federal Network Agency to extend the Company's parallel operation as an MNO and MVNO, which is expected to be decided in November 2023.

As soon as Vodafone has activated all 1&1 customer accounts for the use of its national roaming services, 1&1 will procure national roaming services from Vodafone for the duration of the contract term.

The long-term security of access to nationwide 5G national roaming is another milestone in the construction of Europe's most innovative mobile network.

The creation of antenna sites in the third quarter was increasingly improving, as previously announced. As of 30 September 2023, 1&1 had 503 antenna sites available for the placement of the high-performance 5G antennas and fibre optic connectivity (passive infrastructure as co-location). 1&1 wants to raise this number to about 1,000 antenna sites by the end of the year.

Plans provide for an additional 2,000 antenna sites annually, beginning in 2024. The target is provision of services to a quarter of German households by the end of 2025 and to half of them by the end of 2030.

In addition to the passive infrastructure, the focus is on building the core network, the decentralised and regional data centres and implementing the network software. As at 30 September 2023, 2 of a total of 4 core data centres, 23 of 24 local edge data centres and 81 of over 500 planned far-edge data centres were in operation.

The 1&1 mobile network had been connected to all national and international networks, and tests of the functionality of mobile services with external customer groups were carried out successfully. The activation of the mobile services is scheduled for December 2023. The new network will then be fully functional.

The establishment of our Company as the fourth network operator is the manifestation of our objective of driving forward the use of 5G in Germany. This aspiration led to 1&1's decision to become the first provider in Europe to rely completely on the new OpenRAN technology, and it is now rolling out Europe's state-of-the-art mobile network on this basis.

As 1&1 reported previously, the Federal Network Agency, as expected, initiated fine proceedings in April 2023 owing to the failure to meet the rollout obligation of 1,000 antenna sites in 2022. In the meantime,

1&1 had the opportunity to explain its position to the Federal Network Agency in these proceedings. Whether the Federal Network Agency will impose a fine at the end of these proceedings and, if so, in what amount is not yet foreseeable. 1&1 has already taken this into account by creating a provision as a precautionary measure. 1&1 will pursue potential recourse claims against defaulting expansion partners if the Federal Network Agency imposes a fine.

The Federal Cartel Office is currently investigating, at the instigation of 1&1, whether the almost complete loss of the services of the rollout partner Vantage Towers, which was the cause of the failure to meet the rollout targets, can be attributed to undue influence by Vodafone, the controlling shareholder of Vantage Towers.

The EBITDA in the 1&1 Mobile Network segment amounted to €-73.8 million in the first nine months of 2023 (9M 2022: €-26.8 million). As planned, the higher losses are the result of increased ramp-up costs related to the construction of the 1&1 mobile network due to the continued progress of the expansion.

Position of the Group

Earnings position

The 1&1 Group continued its growth course unchanged in the first three quarters of 2023. This growth was driven above all by the contract customer business. It was possible to increase the number of chargeable contracts in comparison with the previous year by 2.1 percent to 16.11 million contracts.

Sales revenues rose in the first nine months of 2023 by 2.8 percent from €2,950.3 million to €3,031.8 million. At €2,418.9 million (9M 2022: €2,386.7 million), service revenues are only slightly above the previous year's level despite the rising number of customer contracts. The reason for this lies in particular in the declining number of contracts for higher-priced broadband contracts.

Other revenues, which result largely from the realisation of hardware sales (especially from investments in smartphones that are repaid by customers over the contractual minimum term in the form of higher package prices), posted growth of 8.7 percent to €612.9 million (9M 2022: €563.6 million). The business with hardware fluctuates seasonally, however, and is dependent on the attractiveness of new devices and the model cycles of manufacturers. These revenue fluctuations have no significant impact on EBITDA development.

Cost of sales increased in the first nine months of 2023 by €125.2 million (6.2 percent) to €2,135.8 million (9M 2022: €2,010.6 million). The cost of sales in the Access segment amounted to €2,046.0 million (9M 2022: €1,989.9 million). The increase is due above all to the higher cost of goods sold for the sold hardware. The cost of sales in the 1&1 Mobile Network business segment amounted to €89.8 million in the first nine months of 2023 (9M 2022: €20.7 million). The cost of sales of the 1&1 Mobile Network segment

included depreciation and amortisation of €34.5 million, which is primarily attributable to the scheduled depreciation of the 5G frequencies that can already be used.

The gross profit margin came to 29.6 percent (9M 2022: 31.9 percent). Gross profit from revenues in the first nine months of 2023 decreased by €43.7 million (4.7 percent) from €939.7 million to €896.0 million.

Distribution costs in the first nine months of 2023 increased by 3.4 percent over the comparable period of the previous year because of an increase in advertising activities and amounts to €387.0 million (9M 2022: €374.2 million). In relation to revenues, distribution costs in the first three quarters of 2023 amounted to 12.8 percent (9M 2022: 12.7 percent).

Administration expenses rose in the first nine months of 2023 from €80.7 million (2.7 percent of revenues) to €92.8 million (3.1 percent of revenues). Administration expenses in the Access segment remained essentially constant year-on-year at €75.3 million (9M 2022: €74.3 million). Administration expenses in the 1&1 Mobile Network segment amounted to €17.5 million (9M 2022: €6.4 million); the increase relates primarily to rising expenses for administration activities due to the rollout of the 1&1 mobile network.

Other operating income of €27.7 million (9M 2022: €23.1 million) and other operating expenses of €2.9 million (9M 2022: €2.4 million) are slightly above the previous year level. Impairment losses on receivables and contract assets amounted to €77.4 million (9M 2022: €76.8 million).

In the first nine months of fiscal year 2023, the EBITDA amounted to €511.1 million (9M 2022: €549.0 million) and was 6.9 percent below the figure for the comparable period of the previous year because of the increase in expenditures for the construction of the 1&1 mobile network. The EBITDA margin came to 16.9 percent (9M 2022: 18.6 percent). EBITDA in the Access segment increased by 1.6 percent to €584.9 million (9M 2022: €575.8 million) while EBITDA in the 1&1 Mobile Network segment came to €-73.8 million (9M 2022: €-26.8 million).

Earnings before interest and taxes (EBIT) in the first three quarters of the current year amounted to €363.7 million (9M 2022: €428.8 million). The EBIT margin came to 12.0 percent (9M 2022: 14.5 percent). Precluding the effects from PPA write-offs, the EBIT amounted to €406.5 million and the EBIT margin to 13.4 percent (9M 2022: €491.3 million and 16.7 percent, respectively).

Financing expenditures amounted to €7.6 million (9M 2022: €5.8 million) in the first nine months of 2023.

Financial income amounted to €13.9 million (9M 2022: €1.2 million) and represents as in the previous year primarily interest on the cash investment at United Internet AG. The increase results from the higher interest rate level.

Earnings before taxes (EBT) in the first nine months of current year amounted to €370.0 million (9M 2022: €424.2 million).

After tax expenses in the amount of €117.0 million (9M 2022: €127.5 million), the consolidated profit amounted to €253.0 million (9M 2022: €296.7 million).

Undiluted profit per share in the first three quarters of 2023 came to €1.44 (9M 2022: €1.68). Precluding the effects of the PPA write-offs, the undiluted profit per share in the first three quarters of 2023 amounted to €1.60 (9M 2022: €1.93).

Major revenue and profit indicators (in €m)

	9M 2023	9M 2022	Change
Revenues	3,031.8	2,950.3	+81.5
Service revenues	2,418.9	2,386.7	+32.2
EBITDA	511.1	549.0	-37.9
EBIT	363.7	428.8	-65.1

Financial position

Cash flow from operating activities amounted to €383.7 million in the first nine months of 2023 and has declined by €31.7 million compared to previous year (9M 2022: €415.4 million). At €213.0 million, net cash inflows from operating activities were €33.5 million higher than the figure of €179.5 million for the comparable period of the previous year. As in the previous year, the net cash inflows from operating activities include advance payments pursuant to the present FTTH/VDSL allotment agreement with Deutsche Telekom.

In the first nine months of 2023, cash flow from investment activities increased because of the investments in the 1&1 mobile network, causing the investments in intangible and tangible assets to rise to €133.8 million (9M 2022: €84.5 million). The outflow of funds from short-term cash investments of €57.5 million (9M 2022: €73.0 million) reported in cash flow from investing activities relates to the short-term investment of free cash and cash equivalents at United Internet AG as part of the current cash management agreement.

Free cash flow, defined as net inflow of funds from operating activities less investments in intangible and tangible assets plus inflow of funds from disposals of intangible and tangible assets, amounted to €79.2 million in the first nine months of 2023 (9M 2022: €96.1 million). The decrease compared to the same period of the previous year results from higher investments in the mobile network.

As in the previous year, cash flow from financing activities related to the dividend payment (unchanged from the previous year: -€8.8 million), payments from the repayment of lease liabilities (9M 2023: -€19.0 million; 9M 2022: -€11.2 million) and from interest paid (9M 2023: -€4.7 million; 9M 2022: -€2.9 million).

Cash and cash equivalents as at 30 September 2023 amounted to €3.7 million (31 December 2022: €4.7 million).

Assets and liabilities

The balance sheet total increased from €7,257.1 million as at 31 December 2022 to €7,670.6 million as at 30 September 2023.

On the assets side, current assets accounted for €188.0 million and fixed assets for €225.5 million of the rise.

As at 30 September 2023, cash and cash equivalents amounted to €3.7 million (31 December 2022: €4.7 million), and trade accounts receivable amounted to €328.6 million (31 December 2022: €267.8 million). The increase in trade receivables is a consequence of invoicing procedures and fluctuates monthly. Accounts due from associated companies increased from €570.8 million as at 31 December 2022 to €631.8 million as at 30 September 2023, of which €622.5 million (31 December 2022: €565.0 million) comprised essentially accounts due from the short-term investment of free cash at United Internet AG.

At €103.6 million, inventories were slightly below the level of the previous year (31 December 2022: €120.4 million), Current contract assets increased by €19.5 million to €658.4 million compared to the end of the year and included in particular receivables from the sale of hardware. Short-term prepaid expenses rose from €214.0 million to €258.3 million and relate essentially to contract costs and prepaid utilisation fees that will not be recognised through expenditures until later periods. In addition, the prepaid expenses included advance payments for FTTH and VDSL wholesale procurements pursuant to the FTTH and DSL allotment agreement with Deutsche Telekom in effect since April 2021.

Other short-term financial assets amounted to €44.7 million (31 December 2022: €25.3 million). This mainly included repayments from smartphone manufacturers, which fluctuate depending on the current campaigns.

Other non-financial assets increased from €7.3 million to €8.7 million. Deferred income tax assets declined by €0.6 million to €5.5 million as at 30 September 2023.

Long-term assets of €5,627.4 million as at 30 September 2023 were above the value as at 31 December 2022 (€5,401.9 million).

Tangible assets increased by €93.0 million compared to the end of the year. The additions relate in particular to investments in the 1&1 mobile network. Intangible assets declined by €57.2 million as a consequence of scheduled amortisation. While the additions to the intangible assets related above all to software for the operation of the mobile network, the depreciation and amortisation concerned primarily the 5G frequencies and the assets determined within the scope of the purchase price allocation on the occasion of the merger of 1&1 and Drillisch. Goodwill remained unchanged at €2,932.9 million.

Long-term contract assets fell by €18.6 million to €198.0 million as at 30 September 2023. Long-term prepaid expenses increased from €396.9 million as at 31 December 2022 to €605.0 million as at 30 September 2023 and comprised basically advance payments made pursuant to long-term purchase contracts and long-term capitalised costs to obtain and fulfil contracts.

On the liabilities side, €168.0 million of the increase was attributable to liabilities and €245.6 million to equity.

Short-term debt increased from €549.7 million as at 31 December 2022 to €695.5 million as at 30 September 2023. Trade accounts payable amounted to €290.7 million (31 December 2022: €229.1 million). Accounts due to associated companies increased to €145.6 million (31 December 2022: €77.9 million).

Short-term contract liabilities in the amount of €50.3 million (31 December 2022: €48.3 million) included without change deferred income from one-time fees. Short-term other financial liabilities increased by €22.7 million from €121.5 million to €144.2 million. Income tax liabilities amounted to €54.9 million (31 December 2022: €28.8 million).

Long-term debt amounted to €1,149.7 million as at 30 September 2023 over €1,127.5 million as at 31 December 2022. Long-term debt in the amount of €763.9 million was unchanged and was related to the purchase price liabilities from the auction of the 5G mobile frequencies disclosed under other financial obligations. Deferred tax liabilities amounted to €212.3 million as at 30 September 2023 (31 December 2022: €224.1 million). Long-term contract liabilities in the amount of €10.2 million (31 December 2022: €7.3 million) included deferred long-term income from one-time fees.

Group equity rose from €5,579.8 million as at 31 December 2022 to €5,825.4 million as at 30 September 2023. The share capital remained 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. As of 30 September 2023, 1&1 AG continues to hold 465,000 own shares, just as at 31 December 2022, so that the number of shares in circulation amounts to 176,299,649.

The change in equity was essentially due to the consolidated profit of €253.0 million. The equity ratio amounted to 75.9 percent (31 December 2022: 76.9 percent).

Risks and opportunities report

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

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

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

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

The overall risk and opportunity position remained largely stable in the first nine months of 2023 compared with the risk and opportunity reporting in the 2022 consolidated financial statements. No risks to the continued existence of 1&1 as a going concern were identifiable either from single risk positions or from the general risk situation during the reporting period or at the time this quarterly release was prepared.

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

Forecast report

1&1 sees no reason to change the growth targets forecast in the consolidated annual financial statements for 2022. The 1&1 AG Management Board expects an increase of about 2 percent in service revenues to approximately €3.23 billion for financial year 2023 as a whole (2022: €3.175 billion). Operating EBITDA is expected to be around €655 million (2022: €693.3 million). Growth in the Access segment of approximately 4 percent to about €775 million (2022: €745.7 million) and the results in the 1&1 Mobile Network segment of approximately €-120 million (2022: €-52.4 million) are considered to be the contributing factors. Operating growth in customer contracts is expected to be +500,000 in 2023 (2022: +600,000 operating growth in customer contracts). The investment volume (cash capex) is expected to be around €320 million (2022: about €250 million).

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 to be false in future. 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, Montabaur, the listed parent company (hereinafter: "1&1 AG" or, along with its subsidiaries, "1&1" or "Group"), is a telecommunications provider that operates solely and exclusively in Germany. The Group is managed via the two business segments Access and 1&1 Mobile Network.

1&1 serves more than 16.1 million contracts in the broadband and mobile product sectors. 1&1 can use one of the largest fibre optic networks in Germany that is operated by its affiliate 1&1 Versatel GmbH, Düsseldorf, a member of the United Internet AG Group. As a virtual mobile network operator, 1&1 has guaranteed access to as much as 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 of other suppliers, for example the mobile network of Vodafone.

1&1's Access segment offers internet access products based in landline broadband and mobile networks. In the segment 1&1 Mobile Network, 1&1 is currently constructing Europe's first fully virtualised mobile network employing the innovative OpenRAN technology and using the 5G mobile frequency blocks procured during the auction in 2019.

Since the launch of the new OpenRAN mobile network at the end of 2022, only so-called landline substitute product were offered, as an alternative for conventional DSL, cable internet or fibre optic home lines. The activation of mobile services is scheduled for December 2023. The new network will then be fully functional.

The address and registered office of 1&1 AG, the parent company of the group, is Elgendorfer Strasse 57 in 56410 Montabaur, Germany. The Company is registered in the Commercial Register of the Montabaur Local Court under the number HRB 28530.

Major accounting, valuation and consolidation principles

The quarterly release from 1&1 AG as at 30 September 2023 was prepared, just as the consolidated annual financial statements as at 31 December 2022, 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 as at 31 December 2022 with the exception of the standards that must be applied for the first time, and the release must be read in the context of the consolidated financial statements as at 31 December 2022.

Change of accounting and valuation methods

The Group has reclassified the cash inflows and outflows from interest in the cash flow statement and no longer discloses them in the operating area; this enhances the consistency of EBITDA and free cash flow. Cash inflows from interest are now reported in the cash flow from investing activities, and cash outflows from interest are reported in the cash flow from financing activities. The reclassification of interest payments provides a better representation of the Company's financial results and a higher consistency between EBITDA and free cash flow, contributing to a more accurate analysis of the Company's financial performance and enabling a more transparent presentation with regard to the capital structure and the ability to repay debts. It also gives investors and other stakeholders a better understanding of the Company's financial performance.

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 performance indicators relevant to business management

Financial performance indicators such as EBITDA, EBITDA margin, operating EBIT(DA), 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 57 of the Annual Report 2022 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. These special effects are described and explained in the pertinent sections of the financial statements as part of the rollover to the unadjusted financial performance indicators.

Miscellaneous

All 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 2022.

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

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 2023

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Consolidated Comprehensive Income Statement

from 1 January to 30 September 2023

	2023 January - September €k	2022 January - September €k
Sales	3,031,758	2,950,278
Cost of sales*	-2,135,748	-2,010,535
Gross profit from revenues	896,010	939,743
Distribution costs	-386,981	-374,168
Administration costs*	-92,826	-80,687
Other operating income	27,745	23,103
Other operating expenses	-2,900	-2,422
Impairment losses from receivables and contract assets	-77,365	-76,798
Results from operating activities	363,683	428,771
Financing expenses	-7,615	-5,847
Financial income	13,933	1,237
Profit before taxes	370,001	424,161
Tax expenses	-116,982	-127,448
Consolidated profit	253,019	296,713
Profit per share (in €)		
- undiluted	1.44	1.68
- diluted	1.44	1.68
Weighted average number of shares outstanding (in millions)		
- undiluted	176.30	176.30
- diluted	176.30	176.31
Rollover to total consolidated profit		
Consolidated profit	253,019	296,713
Other results	0	0
Total consolidated profit	253,019	296,713

*For better comparability, the cost of sales, administration costs and other operating expenses in the segment 1&1 Mobile Network have been adjusted for the reporting period 2022.

Consolidated Balance Sheet

per 30 September 2023

	30/09/2023 €k	31/12/2022 €k
Assets		
Short-term assets		
Cash and cash equivalents	3,687	4,677
Trade accounts receivable	328,591	267,820
Receivables due from associated companies	631,807	570,763
Inventories	103,646	120,385
Contract assets	658,382	638,922
Prepaid expenses	258,316	213,992
Other financial assets	44,653	25,286
Income tax assets	5,482	6,061
Other non-financial assets	8,670	7,291
	2,043,234	1,855,197
Long-term assets		
Other financial assets	2,505	2,268
Tangible assets	355,675	262,655
Intangible assets	1,533,343	1,590,541
Goodwill	2,932,943	2,932,943
Contract assets	197,963	216,533
Prepaid expenses	604,984	396,948
	5,627,413	5,401,888
Total assets	7,670,647	7,257,085

	30/09/2023 €k	31/12/2022 €k
Liabilities and equity		
Short-term liabilities		
Trade accounts payable	290,650	229,137
Liabilities due to associated companies	145,635	77,927
Contract liabilities	50,259	48,298
Other provisions	4,718	4,413
Other financial liabilities	144,160	121,451
Other non-financial liabilities	5,181	39,704
Income tax liabilities	54,883	28,765
	695,486	549,695
Long-term liabilities		
Contract liabilities	10,193	7,297
Other provisions	38,702	38,551
Other financial liabilities	888,559	857,650
Deferred tax liabilities	212,262	224,051
	1,149,716	1,127,549
Total liabilities	1,845,202	1,677,244
Equity		
Share capital	194,442	194,442
Treasury stocks	-512	-512
Capital reserves	2,439,340	2,437,940
Cumulative consolidated results	3,192,761	2,948,557
Other equity	-586	-586
Total equity	5,825,445	5,579,841
Total liabilities and equity	7,670,647	7,257,085

Consolidated Cash Flow Statement

from 1 January to 30 September 2023

	2023 January - September €k	2022* January - September €k
Results from operating activities		
Consolidated profit	253,019	296,713
Allowances for rollover of consolidated profit to incoming and outgoing payments		
Amortisation and depreciation on intangible and tangible assets	82,751	49,046
Depreciation on assets capitalised within the framework of corporate acquisitions	64,633	71,223
Personnel expenses from employee stock ownership programmes	1,400	1,941
Changes in the adjustment items for deferred tax assets	-11,789	-8,114
Correction profits/ losses from the sale of tangible assets	9	18
Profits/ losses from financial activities	-6,318	4,611
Other non-cash positions	5	0
Cash flow from operating activities	383,710	415,438
Changes in assets and liabilities		
Change in receivables and other assets	-80,940	-28,731
Change in contract assets	-890	-10,836
Change in inventories	16,739	-17,064
Change in prepaid expenses	-252,359	-126,896
Change in trade accounts payable	61,512	-4,591
Change in other provisions	457	-3,341
Change in income tax liabilities	26,118	-8,481
Change in other liabilities	-14,230	-18,187
Change in receivables due from / liabilities due to associated companies	68,015	-17,962
Change in contract liabilities	4,857	178
Changes in assets and liabilities, total	-170,721	-235,911
Net inflow of funds from operating activities	212,989	179,527

*For the reporting period January to September 2022, adjustments have been made to the presentation of cash inflows and outflows for interest in the consolidated cash flow statement.

	2023 January - September €k	2022* January - September €k
Cashflow aus dem Investitionsbereich		
Investments in intangible and tangible assets	-133,846	-84,510
Inflow of funds from disposal of intangible and tangible assets	76	1,101
Investments in other financial assets	-235	-379
Outflow of short-term investment	-57,500	-73,000
Interest received	10,082	1,047
Net outflow of funds in investment sector	-181,423	-155,741
Cash flow from financing sector		
Dividend payment	-8,815	-8,815
Repayment of leasing liabilities and rights of use	-18,995	-11,179
Interest payments	-4,746	-2,921
Net outflow of funds in financing sector	-32,556	-22,915
Net increase/decline in cash and cash equivalents	-990	871
Cash and cash equivalents at beginning of fiscal year	4,677	4,555
Cash and cash equivalents at end of reporting period	3,687	5,426

*For the reporting period January to September 2022, adjustments have been made to the presentation of cash inflows and outflows for interest in the consolidated cash flow statement.

Consolidated Change in Equity Statement

in Fiscal Years 2023 and 2022

	Share capital		Treasury stocks		Capital reserves	Cumulative consolidated results	Other equity	Total equity
	Denomination	€k	Denomination	€k	€k	€k	€k	€k
Per 1 January 2022	176,764,649	194,442	465,000	-512	2,436,106	2,590,044	-879	5,219,201
Consolidated profit						296,713		296,713
Total results						296,713		296,713
Dividend payment						-8,815		-8,815
Employee stock ownership programme					1,941			1,941
Per 30 September 2022	176,764,649	194,442	465,000	-512	2,438,047	2,877,942	-879	5,509,040
Per 1 January 2023	176,764,649	194,442	465,000	-512	2,437,940	2,948,557	-586	5,579,841
Consolidated profit						253,019		253,019
Total results						253,019		253,019
Dividend payment						-8,815		-8,815
Employee stock ownership programme					1,400			1,400
Per 30 September 2023	176,764,649	194,442	465,000	-512	2,439,340	3,192,761	-586	5,825,445

Segment reporting

from 1 January to 30 September 2023

	Access €k	1&1 Mobile Network €k	Total €k
Service revenues	2,418,859	0	2,418,859
Hardware and other revenues	612,899	0	612,899
Segment revenues	3,031,758	0	3,031,758
Cost of materials for segment*	-2,022,413	-50,588	-2,073,001
Gross profit for segment	1,009,345	-50,588	958,757
Segment EBITDA	584,854	-73,787	511,067
Customer contracts (in millions)	16.11	-	16.11

from 1 January to 30 September 2022

	Access €k	1&1 Mobile Network €k	Total €k
Service revenues	2,386,688	0	2,386,688
Hardware and other revenues	563,590	0	563,590
Segment revenues	2,950,278	0	2,950,278
Cost of materials for segment*	-1,977,343	-8,334	-1,985,677
Gross profit for segment	972,935	-8,334	964,601
Segment EBITDA	575,798	-26,758	549,040
Customer contracts (in millions)	15.65	-	15.65

*For better comparability, the cost of materials for the 1&1 Mobile Network segment has been adjusted for the reporting period from 1 January to 30 September 2022.

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Publications, Information and Order Service

This report is also available in German.

You can view and download our business and quarterly reports, ad-hoc announcements, press releases and other publications about 1&1 AG at www.1und1.ag/investor-relations-en

Please use our online order service on our website www.1und1.ag/investor-relations-en#bestellservice

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

Financial Event Calendar*

10 November 2023 Quarterly Statement Q3 2023

* These provisional dates are subject to change.

Contact

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

Investor Relations

Elgendorfer Straße 57
D - 56410 Montabaur

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

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

E-Mail: ir@1und1.de

Press

Elgendorfer Straße 57
D - 56410 Montabaur

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

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

E-Mail: presse@1und1.de

Legal Information

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

Company Headquarters

Elgendorfer Straße 57
D - 56410 Montabaur

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

Responsible

1&1 AG

Commercial Register Entry

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

Management Board

Ralph Dommermuth (CEO)
Markus Huhn
Alessandro Nava

Supervisory Board

Kurt Dobitsch (Chairman)
Norbert Lang (Deputy Chairman since 16th May 2023)
Matthias Baldermann
Vlasios Choulidis
Friedrich Jousen (since 16th May 2023)
Christine Schöneweis (since 16th May 2023)
Dr. Claudia Borgas-Herold (until 16th May 2023)
Kai-Uwe Ricke (until 16th May 2023)

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 [https://www.1und1.ag/welcome - Investor Relations - Reports](https://www.1und1.ag/welcome-Investor-Relations-Reports). 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.

Brand portfolio of 1&1



Additional information as contact details, can be found on the homepage:
www.1und1.ag/contact-us



1&1 AG

Elgendorfer Straße 57
56410 Montabaur
Germany

www.1und1.ag