

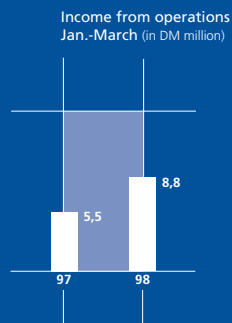
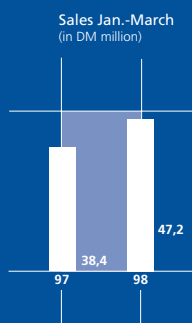


Financial Report
of the
1st Quarter 1998



1 & 1 GROUP – KEY FIGURES

		1997 Jan. – March	1998 Jan. – March	Change in %
Sales	DM million	38.4	47.2	22.9
– Marketing services		35.7	45.7	28.0
thereof sales of goods		8.1	7.5	– 7.4
– Internet services		2.7	1.5	– 44.5
thereof advertising cost contributions		1.7	0.0	– 100.0
Income from operations	DM million	5.5	8.8	60.0
thereof marketing services		5.2	9.9	90.4
thereof Internet services		0.3	– 1.1	– 466.7
Income before income tax expense	DM million	5.5	3.0	– 45.5
Cash flow	DM million	14.3	4.8	– 66.4
DVFA result per share	DM	0.61	0.76	24.6



*For copies of our annual report or other
company information please contact:*

Manfred Barth
1&1 Aktiengesellschaft & Co. KGaA
 Elgendorfer Straße 57
 D-56410 Montabaur

■ Market development

The overall market for information and telecommunication products continued to make good progress in the first quarter of 1998. The online business segment recorded strong growth. Our cooperation partner T-Online, the largest European online service, surpassed the two million member mark. Competitors produced strong growth rates as well. In the hardware segment, another key industry indicator, the number of PC sales in the first quarter of 1998 rose by 14.1 % worldwide. The software segment and services continued to benefit from conversion orders dealing with the year 2000 problem and the introduction of the Euro as well as the increasing use of modern information technology by small and medium-sized companies (SMC's).

The world's largest computer fair, the CeBIT held in Hanover every year in March, once again fuelled growth in the computer industry. CeBIT '98 recorded approximately 670,000 visitors (1997: 606,000) – a new record. 7,250 (1997: 6,909) exhibitors from 60 nations presented their products and services – another new record. In addition to new telecommunication products and price reductions in phone network charges, the centre of interest at this year's fair was the Internet. The increasing use of the Internet has led to heightened interest on the part of consumers and companies, especially among SMC's.

■ Development of 1&1 Group

The 1&1 Group made encouraging progress during the quarter. Group sales were up 22.9 % on the corresponding period last year at DM 47.2 million.

Growth was led in the first quarter by our most important business field: marketing services. Sales rose significantly from 35.7 to DM 45.7 million. Income from operations in this segment grew strongly by 90.4 % from DM 5.2 million to DM 9.9 million.

Sales in our second business area, Internet services – being early in the development

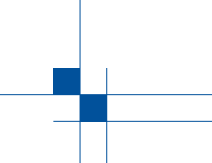
stage – amounted to DM 1.5 million (1997: DM 2.7 million). Sales in the previous year included advertising cost contributions of DM 1.7 million resulting from a contract which has now expired. After adjustment for these contributions, sales in this field rose by 50 %. Operating loss in the Internet segment amounted to DM – 1.1 million compared to DM 0.3 million last year. The positive result in the first quarter of 1997 was also a result of the aforementioned contributions. A deferred income position amounting to DM 1.8 (1997 1.1) million has been eliminated. The sales figures of the first quarter 1998 do not include income from our holdings of other innovative Internet companies.

For the 1&1 Group as a whole, income from operations climbed much faster than sales by 60 % to DM 8.8 million. One-time expenditure of DM 5.8 million in connection with the Group's initial public share offer, however, reduced profit before tax in the first quarter of 1998 to DM 3.0 million. The DVFA-based earning per share calculation, adjusted for this factor, rose by 24.6 % to DM 0.76.

In contrast to the consolidated figures for the corresponding period last year, which included 1&1 Holding GmbH, the quarterly figures for 1998 are already based on 1&1 Aktiengesellschaft & Co. KGaA, which 1&1 Holding GmbH was merged with in the first quarter of 1998. Possible effects on profit resulting from the merger have not yet been considered.

Investments were maintained at a high level. A total of DM 4.3 million was invested in the first quarter of 1998. The major focus of investment was the Group's Multimedia-Internet-Park in Zweibrücken. Further investments were made in the expansion of the 1&1 Serviceline and the Internet computer centre.

Growth was also recorded in the number of staff employed. At the end of March 1998 the total 1&1 Group headcount was 776, compared with 636 as of March 1997.



Especially the number of full-time staff grew from 433 to 525. The number of part-time employees increased from 203 to 251.

There was a change in the Supervisory Board during the first quarter. Hans-Peter Bachmann replaced Hans-Dieter Mock on the Board.

■ Cash flow development

Cash flow in the 1&1 Group for the first quarter of 1998 amounted to DM 4.8 million, measured according to the US GAAP basis. The DM 14.3 million shown in the cash flow calculation for the 1st quarter of 1997 includes a one-time special payment of DM 15 million. In addition, a large part of the IPO costs were paid in the first quarter of 1998.

Cash flow from financing includes a flow of funds of DM 32 million resulting from the increased share capital in connection with the company's initial public offer.

■ Marketing services segment

The excellent development of the marketing services segment was continued into 1998. This applies in particular to the direct marketing of electronic subscriptions and the affinity programme sector.

Our two special exhibitions at the CeBIT '98 fair, "Software-Zentrum Mittelstand" and "Internet-Park" were both tremendously successful. The strongest growth was recorded by the "Internet-Park", where floor space was tripled and the number of exhibitors almost doubled. Both special exhibitions are already virtually sold out for 1999.

Our Call-Center business for the IT and telecommunications industry showed encouraging growth. Both sales and profits were raised through new cooperation contracts and the expansion of existing business.

■ Internet services segment

A number of very promising contacts were made at the CeBIT '98 fair in the field of our Internet services. In the Electronic Advertising segment, several new cooperation partners

were found for the AdLINK advertising network.

The "Multimedia-Internet-Park" in Zweibrücken was opened on schedule in January 1998. The first companies moved in during the first quarter of 1998 and began with the implementation of their business concepts.

In the first quarter we entered into a joint venture with Neue Mediengesellschaft Ulm mbH and the WEKA Firmengruppe GmbH & Co. KG. Player Network OGS GmbH & Co. KG located at the "Multimedia-Internet-Park" in Zweibrücken specializes in the future trend market of online and Internet games. A number of further discussions are currently in progress concerning possible participations of 1&1 Beteiligungen GmbH & Co. KG.

■ Review of IPO

The IPO of 1&1 Aktiengesellschaft & Co. KGaA went very successfully. Advertising campaigns in the major business publications flanked by IR activities created considerable interest for our public offer: over 10,000 enquiries were registered by our advertised hotlines between mid February and the end of March. A further 2,600 enquiries were received by e-Mail. The share was 100 times oversubscribed.

The 1&1 share was listed on the Neuer Markt in Frankfurt for the first time on 23rd March. The first quotation of DM 240 represented a 200 % increase on its subscription price of DM 80.

■ Outlook

As in the past, the first quarter is heavily influenced by the effects of the CeBIT fair in March. Business generally calms down somewhat in the second and third quarters following the strong trading figures of the first three months.

Consolidated profit and loss account according to US GAAP as of 31st March 1997 and 1998		1997 Jan. – March	1998 Jan. – March	Change in %
Net sales	DM	38,425,965	47,151,644	22.7
Cost of Sales	DM	31,511,972	37,326,177	18.5
Gross Margin	DM	6,913,993	9,825,467	42.1
Selling General and administrative expenses	DM	2,346,096	2,737,672	16.7
Other operating income/expense	DM	1,137,894	1,994,481	75.3
Operating income	DM	5,705,791	9,082,276	59.2
Interest expense	DM	– 226,021	– 420,211	85.9
Interest income	DM	4,999	113,861	2,177.7
Income from operations	DM	5,484,769	8,775,926	60.0
Extraordinary expenses	DM	0	5,740,979	
Income from continuing operations before income tax expense	DM	5,484,769	3,034,947	– 44.7
Income tax expense	DM	2,324,861	1,414,285	– 39.2
Net income	DM	3,159,908	1,620,662	– 48.7

Consolidated Cash flow statements according to US GAAP
as of 31st March 1997 and 1998

	1997	1998	Change
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	3,159,908	1,620,662	(1,539,246)
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	892,464	1,408,266	515,802
Changes in assets/liabilities			
(Increase)/decrease in own shares		1,000,000	1,000,000
(Increase)/decrease in accounts receivable	4,124,812	10,101,528	5,976,716
(Increase)/decrease in other receivables	(457,700)	(589,280)	(131,581)
(Increase)/decrease in inventory	(731,982)	(681,207)	50,775
(Increase)/decrease in prepaid expenses	128,693	42,783	(85,910)
Increase/(decrease) in accounts payable	(5,364,654)	598,925	5,963,579
Increase/(decrease) in advanced payments	(4,362,631)	(4,923,636)	(561,005)
Increase in other accrued liabilities	(737,439)	(242,492)	494,947
Increase/(decrease) in accrued taxes	2,329,747	1,398,401	(931,346)
Increase/(decrease) in other accounts payable	1,429,027	(3,206,095)	(4,635,122)
Increase/(decrease) in deferred liabilities	13,896,949	(1,694,430)	(15,591,379)
Increase in accrued pension	0	0	0
Total adjustment:	11,147,286	3,212,763	(7,934,524)
Net cash provided by (used in) operating activities	14,307,194	4,833,424	(9,473,770)
Cash flow from investments			
Capital expenditure	(1,417,497)	(4,262,858)	(2,845,361)
Disposals of fixed assets	32,117	243,837	211,720
Net cash provided by (used in) investing activities	(1,385,380)	(4,019,021)	(2,633,641)
Cash flow from financing activities			
Loans to shareholders	(1,032,883)		1,032,883
Capital contribution	990,306	31,929,487	30,939,181
(Increase)/decrease in loans	1,354,349	(171,119)	(1,525,468)
Dividends paid		(3,920,000)	(3,920,000)
Received subsidies			0
(Repayment)/Borrowings (to) from banks	(5,027,824)	1,824,189	6,852,013
Net cash provided by (used in) financing activities	(3,716,052)	29,662,557	33,378,609
Net increase (net decrease) of cash and bank balances	9,247,399	30,571,512	21,324,113
Cash and bank balances at beginning of 1st quarter	3,897,158	2,778,473	(1,118,685)
Cash and bank balances at end of 1st quarter	13,144,557	33,349,985	20,205,428