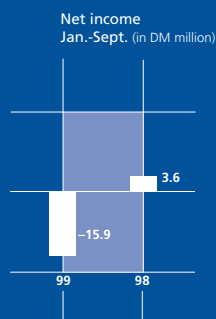
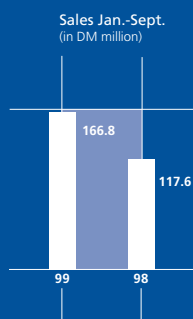


Financial Report of the

1st 9 Months 1999



		1999 Jan. - Sept.	1998 Jan. - Sept.
Sales	DM million	166.8	117.6
– Internet Providing Segment		39.6	3.9
– Online Marketing Segment		10.4	1.6
– Internet Participations Segment		0.7	0.5
– Customer Care Segment		38.9	23.0
– IT/TC Marketing Segment		77.2	88.6
Income from operations	DM million	-17.7	13.0
– Internet Providing Segment		-20.0	-0.8
– Online Marketing Segment		-6.6	-1.8
– Internet Participations Segment		-4.4	-1.0
– Customer Care Segment		6.0	7.0
– IT/TC Marketing Segment		7.3	9.6
Extraordinary expenditure for capital increase/IPO	DM million	-0.2	-5.8
Net income	DM million	-15.9	3.6
DVFA result per share	DM	-1.82	0.90
DVFA result per share (after adj. for goodwill amortization)	DM	-1.26	0.93



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GROWTH MARKET: INTERNET

The markets in which the 1&1 Group is active continue to promise exceptional growth. This applies to Internet-Providing – where we have registered the 1,000,000th de-domains for a 1&1 customer – as well as to our Online-Marketing segment. Recent studies have predicted a rapid increase in revenues from online advertising over the coming years. And, of course, areas such as e-commerce, Internet shopping, integrated communication solutions and outsourcing of customer-care solutions all continue to show strong growth.

1&1 BECOMES INTERNET GROUP

1&1 has already taken giant steps towards becoming an Internet group. Sales from its Internet businesses account for an increasing share of total revenues. As a whole, Group sales grew by 41.8 percent to DM 166.8 million in the first nine months of 1999 compared to the corresponding period last year. In addition to its Internet segments, the company's Customer-Care segment also contributed strongly towards this growth. In the first nine months of the current financial year, sales from Internet businesses already accounted for over 30 percent of total Group turnover. Of course, the high level of investment needed to expand 1&1's Internet products and customer base for Internet providing led to a negative result during this start-up phase – a loss that was planned and which exactly matched expectations. The same applies to the cost-intensive European expansion of our Online-Marketing and Customer-Care segments. Net income in the first nine months of 1999 amounted to DM – 15.9 million and was thus in line with expectations. The DVFA-based result per share is DM – 1.82, and after adjustment for goodwill amortization DM – 1.26 DM per share.

The fastest growth during the period under review was displayed by the **Internet-Providing** segment. Sales reached DM 39.6 million for the first three quarters of 1999 and were thus ten times higher than for the same period last year. Investments in technical infrastructure, new products and successful marketing of our Internet services are still such that no positive income from operations can be expected in this segment as yet. Earnings were also strongly influenced by the results of companies stated at-equity.

Income from operations amounted to DM – 20.0 million, compared with DM – 0.8 million for the corresponding period last year. This figure includes a scheduled reversal of deferred income amounting to DM 2.6 million (prior year: DM 5.3 million).

There was also strong growth in the **Online-Marketing** segment. Sales grew from DM 1.6 million last year to DM 10.4 million in the first nine months of 1999. As a result of our investments in European expansion, income from operations fell from DM – 1.8 to DM – 6.6 million.

Income from operations in the **Internet-Participations** segment amounted to DM – 4.4 million. The figure was influenced by the results of companies stated at-equity as well as by allowances for goodwill amortization.

There was also very encouraging growth in the **Customer-Care** segment. Sales climbed from DM 23.0 million for the first nine months of 1998 to DM 38.9 million for the corresponding period this year (a rise of 69.1 percent). Income from operations grew from DM 1.6 million in the second quarter of 1999 to DM 2.9 million in the third quarter of 1999 – signalling a return to more profitability. For the first nine months of 1999 income from operations amounted in total to DM 6.0 million (prior year: DM 7.0 million).

Sales in the **IT/TC-Marketing** segment reached DM 77.2 million (prior year: DM 88.6 million) during the first nine months of 1999. Income from operations amounted to DM 7.3 million, compared with DM 9.6 million for the same period last year. This figure was influenced mainly by our termination of the contract to market T-Online. The decline in this segment was intended and in line with 1&1's strategy of running down business in non-Internet-related products and services.

INVESTMENTS IN THE INTERNET/CASH FLOW

The realignment of 1&1 as an Internet group is underlined by the level of investment in the first nine months of 1999, which amounted to DM 35.5 million. The major share of capital expenditure involved acquisitions in the Internet segments and investments in our Internet products. In the first nine months of 1999, the 1&1 Group's US GAAP-based cash flow amounted to DM 13.3 million.

EMPLOYEES

Compared to the corresponding period last year, total headcount grew from 856 to 1,250 in the first nine months of 1999. Of this figure, full-time staff increased from 608 to 952. At the end of September, part-time staff accounted for 298 of the total compared to 248 last year. Due to the nature of the business, the major share of this increase was in the Customer Care segment.

SEGMENT REPORTS

INTERNET-PROVIDING

Our products and services in the Internet-Providing segment continued to develop very successfully in the third quarter of 1999. This success is based on 1&1's innovative strength and technological leadership. At the end of September 1999 over 255,000 customers (1st half 99: approx. 200,000 customers) were using our Internet services. „Easy Internet Broking“ – a combination of low-price share brokerage by ConSors Discount-Broker AG and free 1&1 Internet access – was launched by 1&1 and ConSors in early August and has been a total success. Further major successes have been our high-performance Internet access – upgraded by new features and tariff variations – and the 1&1 PureTec range (top level domains, websites and shops). Our subsidiary Schlund + Partner AG also succeeded in expanding its dominant position on the market for commercial websites. The company's computer centre is now the base for over 250,000 Internet sites.

ONLINE-MARKETING

The third quarter of 1999 was once again dominated by the European expansion of our Internet advertising agency ADLINK. In August we acquired NetAd A.S., one of Norway's leading agents for Internet advertising space. In September we founded a subsidiary in Vienna, Austria. In Germany, we exceeded 100 million page impressions for the first time during the third quarter. ADLINK has thus expanded its position as Germany's largest independent advertising network. On the basis of our own subsidiaries as well as independent foreign partners, we are now present in 7 European nations, with over 350 sites and over 375 million page impressions. In this constellation, we are one of Europe's leading Internet advertising networks.

INTERNET-PARTICIPATIONS

In the Internet-Participations segment, the 1&1 Group added a further interesting participation to its portfolio with a 41 % share in Metropolis AG. With around 500,000 members, Metropolis is Germany's largest online-community. This virtual Internet community fulfills its members' requests for chats, home pages, e-mail, shopping and information services. A speciality of the community is that the users provide most of the content for these services themselves. Every member spends an average of over 60 minutes in the community per visit.

Germany's largest e-mail and messaging service GMX (1&1 holds 50 %) is also showing very encouraging development. At the end of September GMX had over 1.9 million registered members (Q2/99: 1.3 million). With over 97 million page impressions, GMX was able to expand once again on its leading position as Germany's largest independent Internet offer.

Jobs & Adverts (1&1 holds 35.5 %) also succeeded in expanding its market position with the opening of further offices throughout Europe and over 30,000 advertised job vacancies.

CUSTOMER-CARE

The Customer-Care segment continued to make good progress in the first nine months of 1999. A number of existing contracts were extended and new orders for technical hotlines were gained, e.g. for ComputerBild readers and Actebis customers. The two centers in Zweibrücken and Maastricht, Holland, showed encouraging growth.

IT/TC-MARKETING

Business in the segment of cooperative marketing activities for IT and telecommunications companies developed according to plan during the first nine months of 1999. Our two major exhibitions at the CeBIT 2000 fair –SOFTWARE-ZENTRUM MITTELSTAND and INTERNET-PARK – are already fully booked with over 370 exhibitors. The marketing of products for third parties was – as planned – down on the corresponding period last year. The end of our contract to market T-Online connections had a strong effect on turnover. We were, however, able to increase sales of ISDN connections and had already reached the total amount of connections achieved in 1998 by the end of September.

OUTLOOK

The 1&1 Group's decision to realign its core business to Internet activities by means of an evolutionary process and to make corresponding investments in this segment, has proven to be right. The development of our Internet-Providing business in the first nine months of 1999 has been very promising and we expect to easily meet the targeted number of customers by the end of the year. New products linking mobile and stationary phones to the Internet will complete our product range and

help us open up new markets. In our Online-Marketing segment the European expansion program is well under way. Further foreign offices will be added before year-end. We also plan further European expansion in the Customer-Care segment, such as the acquisition in October of the Swedish Internet call center Westcall AB. We will defend our position in the Internet-Participations segment with further equity holdings in interesting Internet companies before the year-end.

Consolidated income statement according to US-GAAP as of September 30, 1999 and 1998		1999	1998	Change in %
Net sales	DM	166,765,026	117,550,678	41.9
Cost of sales and services	DM	- 164,852,306	- 102,287,565	61.2
Gross margin	DM	1,912,720	15,263,113	- 87.5
Selling, general and administrative expenses	DM	- 18,429,310	- 8,721,867	111.3
Other operating income/expenses	DM	6,835,870	7,631,283	- 10.4
Amortization of goodwill	DM	- 3,504,319	0	
Operating income	DM	- 13,185,039	14,172,529	- 193.0
Interest expenses	DM	- 1,438,176	- 1,234,260	16.5
Interest income	DM	1,374,987	725,240	89.6
Results from companies stated at-equity	DM	- 4,491,773	- 634,006	
Income from operations	DM	- 17,740,001	13,029,503	- 236.2
Expenses in connection with the IPO and capital increase	DM	- 168,252	- 5,793,479	
Income before taxes on income	DM	- 17,908,253	7,236,024	- 347.5
Income tax expenses	DM	- 147,810	- 3,671,969	- 96.0
Net income	DM	- 18,056,063	3,564,055	- 606.6
Minority interest	DM	2,181,576	0	
Net income after minority interest	DM	- 15,874,487	3,564,055	- 545.4
but incl. general partner's share in result				
General partner's share in result	DM	5,669,460	- 1,425,622	
Income (for shareholders of the KGaA)	DM	- 10,205,027	2,138,433	

Consolidated cash flow statement as of September 30, 1999 und 1998	1999	1998	Change
Cash flows from operating activities			
Net Income	(15,874,486)	3,564,055	(19,438,541)
Adjustments to reconcile net income			
to net cash provided by operating activities:			
Depreciation and amortization	13,699,856	4,311,607	9,388,249
(Undistributed earnings)/unbalanced losses of associated companies	2,290,599	332,016	1,958,583
Changes in assets/liabilities			
(Increase)/decrease in own shares		1,000,000	(1,000,000)
(Increase)/decrease in accounts receivable	463,192	2,070,206	(1,607,014)
(Increase)/decrease in other assets	(1,102,974)	1,228,920	(2,331,894)
(Increase)/decrease in inventory	1,380,577	(2,868,322)	4,248,899
(Increase)/decrease in prepaid expenses	1,150,214	(319,764)	1,469,978
Increase/(decrease) in liabilities	7,149,656	4,752,661	2,396,995
Increase/(decrease) in advance payments	(6,762,016)	(4,774,931)	(1,987,085)
Increase/(decrease) in other accrued liabilities	(75,736)	1,405,380	(1,481,116)
Increase/(decrease) in accrued taxes	(47)	(2,816,197)	2,816,150
Increase/(decrease) in other liabilities	8,746,993	1,052,348	7,694,645
Increase/(decrease) in deferred income	2,210,045	(1,982,090)	4,192,135
Total adjustments:	29,150,358	3,391,834	25,758,524
Net cash provided by (used in) operating activities	13,275,872	6,955,889	6,319,983
Cash flows from investing activities:			
Capital expenditure	(35,459,589)	(15,270,614)	(20,188,975)
Investment in other financial assets	4,490,671		4,490,671
Disposal of fixed assets		335,936	(335,936)
Purchase of additional shares in investments	(8,938,676)	(37,404,151)	28,465,475
Net cash provided by (used in) investing activities	-39,907,595	(52,338,829)	12,431,234
Cash flows from financing activities			
Capital increase	99,023,836	32,029,487	66,994,349
IPO expenses/capital increase	(3,524,258)		(3,524,258)
Issue of convertible bond	247,750		247,750
(Increase)/decrease in loans	48,722	(1,509,083)	1,557,805
Dividends paid	355,461	(3,920,000)	4,275,461
Paid in by minorities	(471,797)		-471,797
Payment/repayment of shareholders loan	2,524,326		2,524,326
Subsidies received		3,820,170	(3,820,170)
(Repayment)/borrowings (to) from bank	(26,972,843)	12,518,953	(39,491,796)
Net cash provided by (used in) financing activities	71,231,198	42,939,527	28,291,671
Net increase/(decrease) in cash	44,599,475	(2,443,413)	47,042,888
Cash, beginning of year	7,293,154	2,778,473	4,514,681
Cash, end of 3rd quarter	51,892,629	335,060	51,557,569