INTERIM STATEMENT
Q1 2019

DATA & FACTS

Selected Key Figures	Q1 2019	Q1 2018	Change	Q4 2018	Q3 2018	Q2 2018
PROFIT (IN €M)						
Revenues	912.1	904.3	0.9%	943.1	900.4	914.7
Service revenues	730.4	705.7	3.5%	730.4	728.6	717.6
Hardware and Other revenues	181.7	198.6	-8.5%	212.6	171.8	197.1
EBITDA	168.5	165.5	1.8%	197.2	184.7	174.5
EBITDA margin in % of revenue	18.5%	18.3%		20.9%	20.5%	19.1%
EBIT excluding ppa write-offs	157.4	155.6	1.2%	186.8	175.0	164.3
EBIT margin in % of revenue excluding ppa write-offs	17.3%	17.2%		19.8%	19.4%	18.0%
EBIT	128.8	127.0	1.4%	158.2	146.4	135.7
EBIT margin in % of revenue	14.1%	14.0%		16.8%	16.3%	14.8%
EBT	127.5	127.0	0.4%	154.8	145.3	135.5
EBT margin in % of revenue	14.0%	14.0%		16.4%	16.1%	14.8%
Profit per share in € excluding ppa write-offs	0.62	0.59	4.6%	0.83	0.68	0.65
Profit per share in €	0.50	0.48	5.0%	0.71	0.57	0.54
CASH FLOW (IN €M)						
Net inflow/outflow of funds from operating activities	17.0	-27.6	161.5%	34.5	76.5	72.2
Net outflow of funds in investment sector	-2.3	-10.2	77.5%	-5.9	-2.8	-2.5
Free cash flow	14.7	-29.5	149.7%	28.7	73.8	69.7
HEADCOUNT (INCL. MANAGEMENT BOARD)						
Total per end of March	3,123	3,143	-0,6%	3,150	3,130	3,145
CUSTOMER CONTRACTS (IN MILLIONS)						
Access, contracts	13.72	12.84	6.9%	13.54	13.26	13.04
of which mobile internet	9.37	8.54	9.7%	9.20	8.93	8.73
of which broadband (ADSL, VDSL, FTTH)	4.35	4.30	1.2%	4.34	4.33	4.31

	31/03/2019	31/12/2018	Change	31/12/2018	30/09/2018	30/06/2018
BALANCE SHEET (IN €M)						
Short-term assets	1,059.6	1,064.6	-0.5%	1,064.6	905.8	784.9
Long-term assets	4,206.3	4,182.1	0.6%	4,182.1	4,262.6	4,309.4
Shareholders' equity	4,366.0	4,280.1	2.0%	4,280.1	4,175.8	4,074.2
Balance sheet total	5,265.9	5,246.6	0.4%	5,246.6	5,168.5	5,094.3
Equity ratio	82.9%	81.6%		81.6%	80.8%	80.0%

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LETTER FROM THE MANAGEMENT BOARD

Dear Shareholders,

1&1 Drillisch AG continued its course in Q1 2019, just as in the past. Once again, we were able to improve the number of customer contracts, revenues and our operating profit figures. Parallel to these accomplishments, we have continued to invest in new customer acquisition and the strengthening of our existing customer relationships.

Thanks to the positioning of our brands and products in the mobile internet and landline sectors, we can count ourselves among the leading providers offering comprehensive services and outstanding value for money in Germany.

We expect our customers' demands on their internet access to continue to increase in future as well and want to keep pace with this trend by offering powerful telecommunications infrastructures.

The first quarter was especially noteworthy for the preparation and opening of the auction of the 5G mobile frequencies in addition to operating business. The auction, organised by the Federal Network Agency, opened on 19 March 2019. Our wholly-owned subsidiary Drillisch Netz AG is taking part in the auction on behalf of 1&1 Drillisch AG. At the end of the first quarter and as of the date of today's report, the auction had not closed, so it is not possible at this time to make any statements as to whether it will have any impact on the assets, liabilities, financial position and earnings of 1&1 Drillisch and, if so, how extensive such an impact will be.

Now for the operating side of the business:

During the first three months of 2019, we were able to increase the number of customer contracts over the closing quarter of 2018 by 180,000 to 13.72 million contracts (Q4 2018: 13.54 million). Of this rise, customer contracts in the mobile internet sector increased by 170,000 to 9.37 million (Q4 2018: 9.20 million) and the broadband lines increased by 10,000 to 4.35 million (Q4 2018: 4.34 million).

Revenues increased in total by €7.8 million (0.9%) to €912.1 million (Q1 2018: €904.3 million). The high-margin service revenues increased as planned by €24.7 million (3.5%) to €730.4 million during Q1 2019 (Q1 2018: €705.7 million). These earnings are the subject of our primary focus because they are sustainable and make a major contribution to our profit.

On the other hand, the low-margin Other sales – 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) – declined by €16.9 million (8.5%) from €198.6 million in the previous year to €181.7 million in Q1 2019. Hardware sales during Q1 were below our expectations, but this business fluctuates according to season and is dependent on the attractiveness of new devices and the model cycles of the hardware manufacturers. This effect may therefore reverse in the coming quarters. Even if this should not happen, however, there will be no considerable impact on our EBITDA development.

Consolidated EBITDA (earnings before interest, taxes, depreciation and amortisation) rose in the first three months of 2019 by €3.0 million (1.8%) to €168.5 million (Q1 2018: €165.5 million). The only slight increase in EBITDA is mainly due to the fact that the temporary adjustment mechanism of an advance price agreement was not extended again but expired at the end of 2018. This temporarily led to additional costs in the amount of about €17.5 million during Q1 2019. Contrary to our original expectations, no decision has yet been taken regarding a replacement or compensation for the expired arrangement. However, the corresponding wholesale prices are the subject of arbitration proceedings, in the course of which there will be a binding expert decision on the type and amount of sustainable price adjustment within a few months of the end of the 5G spectrum auction. From this decision of the assessor, we expect retroactively lower advanced prices. Without the effects of IFRS 16, expenses for integration projects and the preliminary increase in wholesale prices, EBITDA would have risen by around 9.7% from €170.5 million in the previous year to €187.0 million in the first quarter of 2019.

We continue to expect customer growth to remain strong throughout all of 2019. We have issued a more concrete revenue forecast in that service revenues are expected to increase by about 4% as previously announced (2018: €2,882.3 million) while we will have to wait and see how the low-margin hardware sales develop in future. We still expect an increase in the EBITDA of about 10% (2018: €721.9 million). Moreover, we have not changed our intention to issue a more concrete EBITDA forecast after the conclusion of the aforementioned assessment arbitration.

We are in an excellent position to take the next steps in our Company's development and we are looking ahead to the future with confidence. Finally, we want to take this opportunity to thank our employees for their ongoing commitment and their tremendous willingness to perform. In addition, we want to express our gratitude to our shareholders, customers and business partners for the trust they have placed in us.

Best regards from Maintal,

Ralph Dommermuth

Martin Witt

André Driesen

QUARTERLY RELEASE PER 31 MARCH 2019

First-time application of IFRS 16

The International Accounting Standards Board (IASB) released a new accounting regulation governing leases (IFRS 16) on 13 January 2016. Application is mandatory for reporting periods starting on 1 January 2019 and later and is therefore applicable for the first time to this quarterly release for Q1 2019.

1&1 Drillisch is primarily a lessee. Most of the leases in the Group are related to the leasing of buildings, technical equipment and vehicles.

In accordance with IFRS 16, leases are no longer regarded as classic rentals, but are classified as financing transactions. The lessee acquires a right of use to the subject of the lease and finances this subject by paying the leasing instalments. Consequently, the lessee must recognise a right of use for the use of the leased object on the left-hand side and a liability on the right-hand side of the balance sheet. Every lease and rental agreement is presented in the balance sheet in this way. Leases or rental contracts with terms of up to twelve months and agreements with a low-value volume are excepted from the obligation for disclosure in the balance sheet.

In applying IFRS 16 for the first time, 1&1 Drillisch decided to recognise the asset value for the granted right of use at the value of the corresponding lease liability per 1 January 2019 and not to apply it retroactively to every earlier reporting period. In addition, 1&1 Drillisch exercises the exemption option provided in the standard for leases with a term that expires within twelve months from the point in time of the initial application and the exemption option for leases for which the underlying asset is of low value.

The application of the new regulation led to an increase in assets (for the rights of use) and simultaneously to an increase in financial liabilities (owing to the payment obligations) in the consolidated balance sheet of 1&1 Drillisch. This led to a reduction in rent expenses, higher write-offs and higher interest expenses in the profit and loss account and a corresponding rise in the EBITDA.

The first-time application of IFRS 16 in Q1 2019 had a positive effect on the EBITDA in the Group in the amount of €1.1 million. The EBITDA effect occurred primarily in the segment “Access” (€+1.0 million).

COURSE OF BUSINESS

Development in the segment "Access"

The Group's operating business activities take place primarily in the reporting segment "Access". The Group's mobile access and landline products subject to charge, 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 Drillisch operates solely and exclusively in Germany. The Company uses primarily the optical fibre network of the affiliate 1&1 Versatel GmbH, Düsseldorf ("1&1 Versatel GmbH"), a member company of United Internet AG, and its own access right to the Telefónica mobile network; in addition, it purchases additional standardised network services from various providers of advance services. Access to the networks is combined with devices, own developments of applications and services to create a distinctive portfolio that sets the Company apart from its competitors.

The Access products are marketed via the well-known brand name 1&1 and discount brands such as yourfone or smartmobile.de, which are used to address the market comprehensively in orientation to specific target groups. The segment reporting is aligned with the internal organisation and reporting structure.

The number of contracts subject to charge rose in the first three months of 2019 by 0.18 million to 13.72 million contracts. In the mobile internet business, it was possible to acquire 0.17 million customer contracts, increasing the number of customers to 9.37 million. It was also possible to add ten thousand contracts for broadband lines, raising the total to 4.35 million.

Development of contracts during the first 3 months of 2019 (in millions)

	31/03/2019	31/12/2018	Change
Total contracts	13.72	13.54	+0.18
of which mobile internet	9.37	9.20	+0.17
of which broadband lines	4.35	4.34	+0.01

During the first three months of 2019, 1&1 Drillisch invested heavily in the acquisition of new customers and in the retention of current customer relationships. One of the focal points was the marketing of mobile internet contracts and the related hardware.

Revenue in the segment “Access” increased in comparison with the first three months of 2018 by €7.9 million (0.9%) to €912.1 million (previous year: €904.2 million).

In the segment “Access”, the cost of materials declined by €5.3 million to €618.9 million (previous year: €624.2 million).

The segment EBITDA rose by 1.4% from €166.8 million in the previous year to €169.2 million. This includes €1.0 million from the first-time application of the IFRS 16 regulations as well as one-off effects from expenditures in the amount of €2.1 million (previous year: €5.0 million) incurred as part of integration projects. The only slight increase in EBITDA is mainly due to the fact that the temporary adjustment mechanism of an advance price agreement was not extended again but expired at the end of 2018. This temporarily led to additional costs in the amount of about €17.5 million during Q1 2019. Contrary to the original expectations, no decision has yet been taken regarding a replacement or compensation for the expired arrangement. However, the corresponding wholesale prices are currently the subject of arbitration proceedings, in the course of which there will be a binding expert decision on the type and amount of a sustainable price adjustment within a few months of the end of the 5G spectrum auction. From this decision of the assessor, the company expects retroactively lower advanced prices. Without the effects of IFRS 16, expenses for integration projects and the preliminary increase in wholesale prices, segment EBITDA would have risen by around 9.3% from €171.8 million in the previous year to €187.8 million in the first quarter of 2019.

Major revenue and profit indicators in the segment “Access”

	Q1 2019	Q1 2018	Change
Revenue (in €m)	912.1	904.2	+7.9
Service revenue (in €m)	730.4	705.7	+24.7
EBITDA (in €m)	169.2	166.8	+2.4
EBITDA margin (in %)	18.6	18.5	+0.1

Segment “Miscellaneous”

The segment “Miscellaneous” comprises essentially all the activities related to the offering of custom software solutions and of maintenance and support services and in context of the preparation and execution of the 5G frequency auction. Owing to the minor significance of this segment, no further details will be reported.

SITUATION IN THE GROUP

Earnings

Growth in the first three months of 2019 was carried above all by the contract customer business. The number of customer contracts subject to charge increased by 0.18 million contracts to 13.72 million.

Sales revenues rose in the first three months of 2019 by 0.9% from €904.3 million in the previous year to €912.1 million. The positive revenue development results from the continued rise in the number of contract customers and the related monthly payments. The high-margin service revenues, essentially the income related to the billing of current customer relationships, increased by €24.7 million (3.5%) from €705.7 million in the previous year to €730.4 million in Q1 2019. These are sustainable earnings for the contribution to profit. Contrary to this development, the low-margin Other sales declined from €198.6 million in the previous year to €181.7 million in Q1 2019. These sales 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). The hardware sales during Q1 were below expectations, but this business fluctuates according to season and is dependent on the attractiveness of new devices and the model cycles of the hardware manufacturers. This effect may therefore reverse in the coming quarters. Even if this should not happen, however, there will be no considerable impact on our EBITDA development.

Cost of sales in in the first three months of 2019 amounted to €642.5 million and remained virtually constant (previous year: €642.8 million). The gross margin increased from 28.9% in the previous year to 29.6%. Gross profit rose by €8.1 million from €261.5 million in the previous year to €269.6 million.

Distribution costs rose from €105.6 million in the previous year to €107.1 million in the first three months of 2019. In relation to revenue, distribution costs amounted to 11.7% in the first three months of 2019 (previous year: 11.7%). Administration costs increased from €22.3 million in the previous year (2.5% of revenue) to €25.8 million (2.8% of revenue). This was a consequence of increased expenditures for third-party services and higher personnel expenses.

The EBITDA amounted to €168.5 million (previous year: €165.5 million). This includes positive effects from the first-time application of the IFRS 16 regulations in the amount of €1.1 million as well as one-off effects from expenditures incurred as part of integration projects in the amount of €2.1 million (previous year: €5.0 million). The only slight increase in EBITDA is mainly due to the fact that the temporary adjustment mechanism of an advance price agreement was not extended again but expired at the end of 2018. This temporarily led to additional costs in the amount of about €17.5 million during Q1 2019. Contrary to the original expectations, no decision has yet been taken regarding a replacement or compensation for the expired arrangement. However, the corresponding wholesale prices are currently the subject of arbitration proceedings, in the course of which there will be a binding expert decision on the type and amount of a sustainable price adjustment within a few months of the end of the 5G spectrum auction. From this decision of the assessor, the company expects retroactively lower advanced prices. The EBITDA margin came to 18.5% (previous year 18.3%). Without the effects of IFRS 16, expenses for integration projects and the preliminary increase in wholesale prices, segment EBITDA would have risen by around 9.7% from €170.5 million in the previous year to €187.0 million in the first quarter of 2019.

Earnings before interest and taxes (EBIT) in the first three months of 2019 amounted to €128.8 million (previous year: €127.0 million). The EBIT margin came to 14.1% (previous year: 14.0%). Excluding the effects from PPA write-offs, the EBIT amounted to €157.4 million and the EBIT margin to 17.3% (previous year: €155.6 million and 17.2%, respectively).

Earnings before taxes (EBT) in the first three months of 2019 amounted to €127.5 million (previous year: €127.0 million). Tax expenses amounted to €38.5 million (previous year: €42.3 million).

Consolidated profit rose from €84.7 million in the previous year to €89.0 million in the first three months of 2019.

Profit per share per 31 March 2019 came to €0.50 (31 March 2018: €0.48). Excluding the effects of the PPA write-offs, the profit per share per 31 March 2019 amounted to €0.62 (31 March 2018: €0.59).

Major revenue and profit indicators (in €m)

	Q1 2019	Q1 2018	Change
Revenues	912.1	904.3	+7.8
Service revenue	730.4	705.7	+24.7
EBITDA	168.5	165.5	+3.0
EBITDA margin (in %)	18.5	18.3	+0.2
EBIT	128.8	127.0	+1.8
EBIT margin (in %)	14.1	14.0	+0.1

Financial position

Cash flow from operating activities increased from €120.3 million in the first three months of 2018 to €126.1 million in the first three months of 2019. Net inflow of funds from operating activities in the first three months of 2019 amounted to €17.0 million (previous year: €-27.6 million). Essentially, increased advance payments for purchased services that will not be recognised as operating expenses until later periods and the increase in inventories led to outflows of funds that will be reversed in the following periods.

Cash flow from investments shows total net outgoing payments of €2.3 million during the reporting period (previous year: outgoing payments of €10.2 million). Payments of €2.3 million and payments received of €0.0 million were effected for investments in tangible and intangible assets (previous year: payments of €2.9 million and payments received of €1.0 million). A retroactive outflow of funds in the amount of €8.3 million occurred with respect to yourfone Shop GmbH, which was deconsolidated per 31 December 2017.

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 €14.7 million in the first three months of 2019 (previous year: €-29.5 million). In the previous year, basically the investments in mobile service contracts with hardware, which were significantly increased for the first time, led to higher outflows of funds that will be reversed or amortised in the following periods.

Determining factors for the cash flow from financing in the first three months of 2019 were primarily the payments for loan repayments to United Internet in the amount of €9.0 million (previous year: payments as short-term investment of free cash at United Internet in the amount of €76 million) and payments for the acquisition of treasury stock in the amount of €3.8 million (previous year: €0.0).

Cash and cash equivalents per 31 March 2019 amounted to €4.6 million in comparison with €4.0 million per 31 December 2018.

Assets and liabilities

The balance sheet total increased marginally from €5,246.6 million per 31 December 2018 to €5,265.9 million per 31 March 2019.

Short-term assets reduced marginally from €1,064.6 million per 31 December 2018 to €1,059.6 million per 31 March 2019. The cash holdings disclosed in the short-term assets increased from €4.0 million to €4.6 million. Trade accounts receivable declined from €230.2 million per 31 December 2018 to €227.9 million per 31 March 2019. Accounts due from associated companies declined from €41.9 million per 31 December 2018 to €6.1 million per 31 March 2019.

Prepaid expenses increased from €42.6 million to €54.2 million and concern essentially prepaid utilisation fees that will not be recognised as effective expenditures until later periods. The line item contract assets in the amount of €453.5 million (31 December 2018: €414.9 million) includes short-term receivables from customers from the revenue realisation pulled forward because of the application of IFRS 15. The line items costs for contract acquisition and costs for contract fulfilment include the short-term expenditures related to customer acquisition and costs of contract fulfilment during the term of the contracts and declined as a total by €4.7 million from €157.2 million per 31 December 2018 to €152.5 million per 31 March 2019.

Other financial assets declined from €45.5 million per 31 December 2018 to €41.2 million per 31 March 2019. The other non-financial assets fell from €38.8 million to €20.5 million and concern primarily income and value-added tax claims.

Long-term assets increased in total from €4,182.1 million per 31 December 2018 to €4,206.3 million per 31 March 2019. Intangible assets declined as planned from €746.8 million per 31 December 2018 to €710.7 million per 31 March 2019 and include primarily the assets determined as part of the Drillisch purchase price allocation less the related write-offs. Tangible assets rose by €26.0 million from €14.3 million per 31 December 2018 to €40.3 million per 31 March 2019. The increase in the amount of €26.3 million is a consequence of the initial application of IFRS 16.

The long-term prepaid expenses increased from €182.3 million per 31 December 2018 to €212.0 million and comprise basically advance payments made pursuant to long-term purchase contracts. The line items contract assets, costs for contract acquisition and costs for contract fulfilment include analogously to the short-term assets the long-term part of the receivables due from customers from the application of IFRS 15 and increased as a total by €4.5 million from €304.3 million per 31 December 2018 to €308.8 million per 31 March 2019.

Short-term liabilities decreased in total from €646.9 million per 31 December 2018 to €561.5 million per 31 March 2019. Short-term trade accounts payable decreased by €19.2 million to €346.0 million (31 December 2018: €365.2 million). Accounts due to associated companies declined from €129.3 million per 31 December 2018 to €59.6 million and are related, for one, to liabilities due to United Internet AG as part of the utilisation of cash and, for another, to liabilities due to other group undertakings of United Internet Group pursuant to the procurement of advance services and other cost allocations.

Contract liabilities 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. Income tax liabilities fell from €38.0 million per 31 December 2018 to €24.3 million per 31 March 2019.

Long-term liabilities rose from €319.6 million per 31 December 2018 to €338.4 million per 31 March 2019. The fundamental cause for this is the increase in Other financial liabilities by €0.1 million per 31 December 2018 to €22.6 million per 31 March 2019. This increase is a consequence of the initial application of IFRS 16. The contract liabilities in the amount of €4.2 million (previous year: €4.5 million) include income from one-time fees that is to be deferred in accordance with the application of IFRS 15.

The equity in the Group rose from €4,280.1 million per 31 December 2018 to €4,366.0 million per 31 March 2019. As a consequence of the stock repurchase programme that was prematurely terminated at the beginning of March 2019, share capital declined by €0.1 million from €194.0 million per 31 December 2018 to €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 is the equivalent of the share capital of 1&1 Drillisch AG. As of the balance sheet closing date 31 March 2019, a total of 500,000 1&1 Drillisch AG shares had been acquired as part of the stock repurchase programme. Per 31 March 2019, the number of shares outstanding declined to 176,264,649 shares. Cumulative consolidated profit rose by €89.0 million from €1,653.3 million per 31 December 2018 to €1,742.3 million per 31 March 2019. The equity ratio rose accordingly from 81.6% per 31 December 2018 to 82.9% per 31 March 2019.

REPORT ON RISKS AND OPPORTUNITIES

1&1 Drillisch Group pursues risk and opportunity policies that are oriented to the objective of maintaining and raising sustainably the Company's value by taking advantage of opportunities and by recognising and managing risks at an early stage. The risk and opportunity management as practised ensures that 1&1 Drillisch can carry out its business operations in a controlled corporate environment.

The risk and opportunity management regulates the responsible handling of uncertainties that are always a part of entrepreneurial activities.

General statement from the Management Board regarding the Group's risk and opportunity situation

The assessment of the overall risk situation is the result of a consolidated consideration of all major risk areas and specific risks, taking into account interdependencies.

The overall risk and opportunity situation in the first three months of 2019 remained largely stable in comparison with the reporting of risks and opportunities in the annual financial statements for 2018. Risks threatening the existence of 1&1 Drillisch from either specific risk positions or the overall risk situation were not discernible during the reporting period and at the point in time of preparation of this quarterly release.

Just as before, positive contributions to results are expected from the price adjustment procedure currently being conducted with an advance services provider. The assessment arbitration, however, has been suspended until the conclusion of the frequency auction now in progress.

By expanding even further the scope of its risk management, 1&1 Drillisch counters the identified risks and limits them, in so far as sensible, to a minimum by implementing specific actions.

FORECAST REPORT

1&1 Drillisch is striving to achieve strong growth in customers and the accompanying continuation of the positive gross profit development in operating business. The Management Board has issued a more concrete revenue forecast in that service revenues are expected to increase by about 4% as previously announced (2018: €2,882.3 million) while it will be necessary to wait and see how the low-margin hardware sales develop in future.

The Management Board still expects an increase in the EBITDA of about 10% (2018: €721.9 million). Moreover, the Management Board has not changed its intention to issue a more concrete EBITDA forecast after the conclusion of the aforementioned assessment arbitration.

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 Drillisch 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 Drillisch AG does not guarantee that the future-oriented statements will prove to be true, and it neither assumes any obligation nor has the intention to adjust or update any future-oriented statements made in this quarterly release report.

EXPLANATORY COMMENTS ON THE QUARTERLY RELEASE

Information about the Company

1&1 Drillisch Group, together with 1&1 Drillisch Aktiengesellschaft, Maintal, the listed parent company (hereinafter: "1&1 Drillisch AG" or, along with its subsidiaries, "1&1 Drillisch"), is a telecommunications provider that operates solely and exclusively in Germany. 1&1 Drillisch, a leading German internet specialist, is able to use the optic fibre network (one of Germany's largest) operated by 1&1 Versatel GmbH, Düsseldorf, an associated company that belongs to the corporate group of United Internet AG. A virtual mobile network operator, 1&1 Drillisch has guaranteed access to a defined share of the mobile network capacity of Telefónica in Germany (so-called mobile bitstream access mobile virtual network operator = MBA MVNO). The Group's business unit Access offers landline- and mobile network-based internet access products. They include, among others, landline and mobile access products subject to charge, including the related applications such as home networks, online storage, telephony, video on demand or IPTV.

The address and registered office of 1&1 Drillisch AG, the parent company of the Group, is Wilhelm-Röntgen-Strasse 1–5, 63477 Maintal, Germany. The Company is registered at Hanau Local Court under HRB 7384.

Major accounting, valuation and consolidation principles

The quarterly release from 1&1 Drillisch AG per 31 March 2019 was prepared, just as the consolidated annual financial statements per 31 December 2018, in compliance with the International Financial Reporting Standards (IFRS) as they are to be applied in the European Union (EU).

The quarterly release does not represent an interim report within the sense of IAS 34. The accounting and valuation principles applied in the quarterly release are consistent with the methods applied per 31 December 2018 with the exception of the standards whose application has newly been mandated and must be viewed in the context of the consolidated annual financial statements per 31 December 2018.

Application of assumptions and estimates

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

Use of financial performance indicators relevant for business

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 Drillisch's business development. Information about the use, definition and calculation of these performance indicators is available in the Annual Report 2018 of 1&1 Drillisch AG, beginning on page 38.

The performance indicators used by 1&1 Drillisch have been adjusted for special effects to the extent this is necessary for 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 income 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 the subsidiaries are included in the consolidated financial statements. The group of consolidated companies is unchanged over the consolidated annual financial statements per 31 December 2018.

No enterprises have been acquired or sold during the reporting period 2019.

The quarterly release has not been audited pursuant to Section 317 HGB [German Commercial Code] or subjected to a review by an independent accountant.

CONSOLIDATED FINANCIAL STATEMENTS PER 31 MARCH 2019

CONSOLIDATED BALANCE SHEET

Per 31 March 2019

	31/03/2019 €k	31/12/2018 €k
ASSETS		
Short-term assets		
Cash and cash equivalents	4,581	3,968
Trade accounts receivable	227,918	230,224
Receivables due from associated companies	6,092	41,879
Inventories	99,179	89,548
Contract assets	453,465	414,925
Costs of obtaining contracts	83,194	83,484
Costs of fulfilling contracts	69,328	73,686
Prepaid expenses	54,227	42,551
Other financial assets	41,187	45,513
Other non-financial assets	20,451	38,806
	1,059,622	**1,064,584**
Long-term assets		
Other financial assets	1,487	1,408
Tangible assets	40,290	14,259
Intangible assets	710,734	746,816
Goodwill	2,932,943	2,932,943
Contract assets	166,703	166,105
Costs of obtaining contracts	87,463	84,501
Costs of fulfilling contracts	54,648	53,690
Prepaid expenses	211,985	182,334
	4,206,253	**4,182,056**
TOTAL ASSETS	**5,265,875**	**5,246,640**

	31/03/2019 €k	31/12/2018 €k
LIABILITIES AND EQUITY		
Short-term liabilities		
Trade accounts payable	345,974	365,202
Liabilities due to associated companies	59,643	129,333
Contract liabilities	43,089	46,106*
Other provisions	4,720	8,766
Other financial liabilities	51,586	39,530
Other non-financial liabilities	32,154	20,002
Income tax liabilities	24,304	37,985
	561,470	**646,924**
Long-term liabilities		
Contract liabilities	4,160	4,543
Other provisions	67,048	67,090
Other financial liabilities	22,645	128
Deferred tax liabilities	244,563	247,880
	338,416	**319,641**
TOTAL LIABILITIES	**899,886**	**966,565**
Equity		
Share capital	193,891	194,000
Capital reserves	2,430,516	2,433,531
Cumulative consolidated results	1,742,286	1,653,248
Other equity	-704	-704
TOTAL EQUITY	**4,365,989**	**4,280,075**
TOTAL LIABILITIES AND EQUITY	**5,265,875**	**5,246,640**

* The items Deferred earnings and Payments on account that were disclosed separately per 31 December 2018 are presented under contract liabilities.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

from 1 January to 31 March 2019

	2019 January - March €k	2018* January - March €k
Sales	912,108	904,281
Cost of sales	-642,530	-642,763
GROSS PROFIT FROM REVENUES	**269,578**	**261,518**
Distribution costs	-107,058	-105,562
Administration costs	-25,818	-22,259
Other operating expenses	-1,067	-281
Other operating income	10,924	10,628
Impairment losses from receivables and contract assets	-17,765	-17,060
RESULTS FROM OPERATING ACTIVITIES	**128,794**	**126,984**
Financing expenses	-1,319	-140
Financial income	32	162
PROFIT BEFORE TAXES	**127,507**	**127,006**
Tax expenses	-38,469	-42,321
CONSOLIDATED PROFIT	**89,038**	**84,685**
Profit per share (in €)		
- undiluted	0.50	0.48
- diluted	0.50	0.48

Rollover to total consolidated results

	2019 January - March €k	2018* January - March €k
CONSOLIDATED PROFIT	**89,038**	**84,685**
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)	0	0
TOTAL CONSOLIDATED RESULTS	**89,038**	**84,685**

* The consolidated comprehensive income statement Q1 2018 has been restated for better comparability.

CONSOLIDATED CASH FLOW STATEMENT

from 1 January to 31 March 2019

	2019 January - March €k	2018* January - March €k
RESULTS FROM OPERATING ACTIVITIES		
Consolidated profit	89,038	84,685
Allowances for rollover of consolidated results to incoming and outgoing payments		
Depreciation on intangible and tangible assets	7,850	6,733
Depreciation on assets capitalised within the framework of corporate acquisitions	31,818	31,818
Personnel expenses from employee stock ownership programmes	719	0
Changes in the adjustment items for deferred tax assets	-3,316	-3,015
Correction profits/losses from the sale of tangible assets	0	49
Other items not affecting payments	5	26
CASH FLOW FROM OPERATING ACTIVITIES	**126,114**	**120,296**
Changes in assets and liabilities		
Change in receivables and other assets	24,969	16,544
Change in contract assets	-39,137	-71,300
Change in inventories	-9,631	-47,977
Change in costs of obtaining and fulfilling contracts	729	-14,934
Change in deferred expenditures	-41,327	-66,504
Change in trade accounts payable	-19,228	1,698
Change in other provisions	-4,088	12,039
Change in income tax liabilities	-13,681	32,967
Change in other liabilities	20,530	6,149
Change in receivables due from/liabilities due to associated companies	-24,885	-14,148
Change in contract liabilities	-3,401	-2,452
CHANGES IN ASSETS AND LIABILITIES, TOTAL	**-109,150**	**-147,918**
Net inflow/outflow of funds from operating activities	**16,964**	**-27,622**

* The consolidated capital flow statement Q1 2018 has been restated for better comparability.

	2019 January - March €k	2018* January - March €k
CASH FLOW FROM INVESTMENTS		
Investments in intangible and tangible assets	-2,254	-2,876
Inflow of funds from disposal of intangible and tangible assets	41	966
Outflow of funds for acquisitions less acquired cash	-79	0
Reimbursements from other financial assets	1	3
Outflow of funds from disposal of financial assets or from deconsolidation	0	-8,300
NET OUTFLOW OF FUNDS IN INVESTMENT SECTOR	**-2,291**	**-10,207**
CASH FLOW FROM FINANCING SECTOR		
Acquisition of treasury stock	-3,844	0
Repayment of finance leasing liabilities	-1,216	-131
Outflow of funds to associated companies in repayment of loans	-9,000	0
Outflow of funds for the grant of loans to associated companies	0	-100,000
Inflow of funds from associated companies in repayment of loans	0	24,000
NET OUTFLOW OF FUNDS IN FINANCING SECTOR	**-14,060**	**-76,131**
Net decrease/increase in cash and cash equivalents	613	-113,960
Cash and cash equivalents at beginning of fiscal year	3,968	149,681
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD	**4,581**	**35,721**

* The consolidated capital flow statement Q1 2018 has been restated for better comparability.

CONSOLIDATED CHANGE IN EQUITY STATEMENT

in Fiscal Years 2019 and 2018

	Share capital		Capital reserves	Cumulative consolidated results	Other equity	Total equity
	Denomination	€k	€k	€k	€k	€k
Balance per 31 December 2017	**176,764,649**	**194,441**	**2,447,085**	**1,163,554**	**0**	**3,805,080**
Effects recognised in equity on the basis of new IFRS standards		0	0	371,471	0	371,471
Balance per 1 January 2018	**176,764,649**	**194,441**	**2,447,085**	**1,535,025**	**0**	**4,176,551**
Consolidated profit		0	0	84,685	0	84,685
Total results		**0**	**0**	**84,685**	**0**	**84,685**
Balance per 31 March 2018	**176,764,649**	**194,441**	**2,447,085**	**1,619,710**	**0**	**4,261,236**
Balance per 1 January 2019	**176,363,945**	**194,000**	**2,433,531**	**1,653,248**	**-704**	**4,280,075**
Consolidated profit		0	0	89,038	0	89,038
Total results		**0**	**0**	**89,038**	**0**	**89,038**
Employee stock ownership programme		0	719	0	0	719
Acquisition of own shares	-99,296	-109	-3,734	0	0	-3,843
BALANCE PER 31 MARCH 2019	**176,264,649**	**193,891**	**2,430,516**	**1,742,286**	**-704**	**4,365,989**

SEGMENT REPORTING

31 March 2019

	Access €k	Miscellaneous €k	Consolidation €k	Total €k
Revenues with third parties	912,075	33	0	912,108
Intercompany revenues	0	3,309	-3,309	0
SEGMENT REVENUES	**912,075**	**3,342**	**-3,309**	**912,108**
Cost of materials external third parties	-618,874	-7	0	-618,881
Cost of materials from intercompany relationships	0	0	0	0
COST OF MATERIALS FOR SEGMENT	**-618,874**	**-7**	**0**	**-618,881**
GROSS PROFIT FOR SEGMENT	**293,201**	**3,335**	**-3,309**	**293,227**
SEGMENT EBITDA	**169,221**	**439**	**-1,198**	**168,462**

31 March 2018

	Access €k	Miscellaneous €k	Consolidation €k	Total €k
Revenues with third parties	904,157	124	0	904,281
Intercompany revenues	0	2,844	-2,844	0
SEGMENT REVENUES	**904,157**	**2,968**	**-2,844**	**904,281**
Cost of materials external third parties	-624,187	10	0	-624,177
Cost of materials from intercompany relationships	0	-3	3	0
COST OF MATERIALS FOR SEGMENT	**-624,187**	**7**	**3**	**-624,177**
GROSS PROFIT FOR SEGMENT	**279,970**	**2,975**	**-2,841**	**280,104**
SEGMENT EBITDA	**166,821**	**770**	**-2,056**	**165,535**

OTHER

FINANCIAL CALENDER*

15 May 2019	Quarterly Statement Q1 2019
21 May 2019	Annual General Meeting, Frankfurt
15 August 2019	6-Month Report 2019, Press and Analyst Meeting
12 November 2019	Quarterly Statement Q3 2019

* These provisional dates are subject to change.

CONTACTS

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

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LEGAL INFORMATION

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» Martin Witt (Deputy Chairman)
» André Driesen

Supervisory Board:

» Michael Scheeren (Chairman)
» Kai-Uwe Ricke (Deputy Chairman)
» Dr Claudia Borgas-Herold
» Vlasios Choulidis
» Kurt Dobitsch
» Norbert Lang

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-drillisch.de. 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 Drillisch 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 Drillisch 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 Drillisch AG. 1&1 Drillisch does not intend to revise or update any forward-looking statements set out in this Interim Statement.

MEMBER OF united internet

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