Interim Statement
Q1 2020

DATA & FACTS

Selected Performance Indicators	Q1 2020	Q1 2019	Change	Q4 2019	Q3 2019	Q2 2019
PROFIT (IN €M)						
Revenues	940.7	902.5	4.2%	945.3	923.3	903.8
Service revenues	747.8	720.8	3.7%	742.7	748.5	731.0
Hardware and Other revenues	192.9	181.7	6.2%	202.6	174.7	172.8
EBITDA	164.0	168.5	-2.6%	174.8	168.3	172.0
EBITDA margin in % of revenue	17.4%	18.7%		18.5%	18.2%	19.0%
EBIT without PPA write-offs	154.2	157.4	-2.1%	165.0	158.5	160.9
EBIT margin in % of revenue without PPA write-offs	16.4%	17.4%		17.5%	17.2%	17.8%
EBIT	126.4	128.8	-1.9%	137.2	130.2	132.3
EBIT margin in % of revenue	13.4%	14.3%		14.5%	14.1%	14.6%
EBT	126.2	127.5	-1.0%	139.3	127.2	128.4
EBT margin in % of revenue	13.4%	14.1%		14.7%	13.8%	14.2%
Profit per share in € excluding PPA write-offs	0.61	0.62	-1.0%	0.72	0.61	0.62
Profit per share in €	0.50	0.50		0.60	0.51	0.51
CASH FLOW (IN €M)						
Net inflow of funds from operating activities	105.0	17.0	518.9%	148.2	141.3	69.2
Net outflow of funds in investment sector	-123.6	-2.3	-5,294.1%	-221.7	-3.6	-3.0
Free cash flow	97.5	14.7	564.6%	136.5	137.8	66.4
HEADCOUNT (INCL. MANAGEMENT BOARD)						
Total per end of March	3,159	3,123	1.2%	3,163	3,082	3,108
CUSTOMER CONTRACTS (IN MILLIONS)						
Access, contracts	14.43	13.72	5.2%	14.33	14.12	13.92
of which mobile internet	10.10	9.37	7.8%	9.99	9.78	9.58
of which broadband (ADSL, VDSL, FTTH)	4.33	4.35	-0.5%	4.34	4.34	4.34

	31/03/2020	31/12/2019	Change	31/12/2019	30/09/2019	30/06/2019
BALANCE SHEET (IN €M)						
Short-term assets	1,454.4	1,309.2	11.1%	1,309.2	1,220.7	1,073.0
Long-term assets	5,089.9	5,152.7	-1.2%	5,152.7	5,161.6	4,150.4
Shareholders' equity	4,729.3	4,640.8	1.9%	4,640.8	4,538.6	4,448.7
Balance sheet total	6,544.2	6,461.9	1.3%	6,461.9	6,382.3	5,223.4
Equity ratio	72.3%	71.8%		71.8%	71.1%	85.2%

INDEX



LETTER FROM THE MANAGEMENT BOARD

Dear Shareholders,

1&1 Drillisch AG was able to increase its customer base and revenue again in the first quarter of 2020.

Thanks to the positioning of our brand names and products in the sectors of mobile internet and landline services, we can be counted among the leading service providers in Germany, offering comprehensive services and outstanding price-benefit ratios.

We expect customers to continue raising their demands on their internet access in future as well and intend to maintain the same pace as this trend by offering increasingly powerful telecommunications services.

Besides the operating and strategic challenges we faced during the first quarter, the continuing spread of the coronavirus and the restrictions that have been in place since the beginning of March have had their impact. Possible effects of the crisis on our operating business are dependent on how long it continues and the continuation of the restrictions that are currently in place. Initial effects on revenues and the operating results became apparent in the first quarter.

Along with business operations, the preparations for our own wireless network and the negotiations for the national roaming agreement that will be required and the subsequent selection of partners for the construction of a powerful 5G network characterised the first quarter.

Now for the operating side of the business

During the first three months of 2020, we were able to increase the number of customer contracts over the final quarter of 2019 by 100,000 to 14.43 million contracts (Q4 2019: 14.33 million). While broadband lines declined slightly by ten thousand to 4.33 million (Q4 2019: 4.34 million), customer contracts in the sector mobile internet rose by 110,000 to 10.10 million (Q4 2019: 9.99 million). We increased the number of customer contracts in the mobile internet sector by 730,000 over Q1 2019.

Total revenues increased by 4.2 percent to €940.7 million (Q1 2019: €902.5 million). The high-margin service revenues increased in Q1 2020 by 3.7 percent to €747.8 million (Q1 2019: €720.8 million). The figure includes positive revenue effects of €+3.1 million that resulted from temporary changes in customer use patterns as a consequence of the coronavirus crisis (particularly in the area of telephony, including regulations for working from home and sheltering-in-place restrictions). Without this positive effect, service revenues would have increased by 3.3 percent (€23.9 million). We focus on service revenues because these revenues are sustainable and decisive for our business results.

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) – increased by 6.2 percent to €192.9 million (Q1 2019: €181.7 million). Hardware sales during Q1 2020 were above expectations, but this business fluctuates according to season and is dependent on the attractiveness of new devices and model cycles of the equipment manufacturers.

Consolidated EBITDA (earnings before interest, taxes, depreciation and amortisation) fell by €4.5 million (2.6 percent) to €164.0 million during the first three months of 2020 (Q1 2019: €168.5 million). The decline in EBITDA resulted above all from regulatory effects in the form of the subscriber line price increases (since 1 July 2019) of about €-4.2 million and the increased expenses from the EU regulatory decision regarding text messages costs (since 15 May 2019) of about €-2.7 million. Costs in the amount of €-2.8 million (Q1 2019: €-1.0 million) were incurred during the planning and preparations for our 5G wireless network, and results were reduced by increased costs for advance services in the amount of about €-4.9 million that resulted from temporary change in customer use behaviour (a consequence of the coronavirus crisis). Excluding the above-mentioned effects, comparable EBITDA would have grown by 4.3 percent.

Free cash flow increased by €82.8 million from €14.7 million in Q1 2019 to €97.5 million in Q1 2020. At this time, about €330 million is freely available as cash.

We expect growth in the number of customers to continue throughout the entire year 2020. As a consequence of the continued uncertainties in the overall economic framework conditions resulting from the coronavirus crisis, we confirm our forecast for fiscal year 2020 and expect revenues and EBITDA to remain unchanged at approximately the same level as last year. This forecast is subject to uncertainties as it is not possible at present to make an exact assessment of the duration and effects of the coronavirus crisis. We will analyse the impact of the crisis on business development in the coming weeks and months and are planning a more specific update of the aforementioned forecast as part of the semi-annual report 2020.

We are in an excellent position to take the next steps in our corporate development and look ahead to the future with confidence. Finally, we would like to express our heartfelt thanks to our employees for their continuous commitment and high motivation, which we appreciate particularly in the current crisis situation. 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   Markus Huhn   Alessandro Nava

Maintal, May 2020

QUARTERLY RELEASE PER 31 MARCH 2020

COURSE OF BUSINESS

Development in the Segment "Access"

The Group's chargeable wireless access and landline products, including the related applications (such as home networks, online storage, telephony, video on demand or IPTV), are grouped together in the segment "Access". 1&1 Drillisch operates solely and exclusively in Germany. The Company uses the landline network of the affiliate 1&1 Versatel GmbH, a member company of United Internet AG Group, and its access right to the Telefónica wireless network; in addition, it purchases standardised network services from various providers of advance services. Access to the networks is enhanced by offerings of devices, own developments of applications and services to set the Company apart from its competitors.

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

The number of chargeable contracts rose by 0.1 million to 14.43 million contracts in the first three months of 2020. In the mobile internet business, it was possible to acquire 0.11 million customer contracts, raising the number of contracts to 10.10 million. Broadband lines declined slightly by ten thousand contracts to 4.33 million.

Development of contracts in the first three months of 2020 (in millions)

	31/03/2020	31/12/2019	Change
Contracts in total	14.43	14.33	+ 0.10
of which mobile internet	10.10	9.99	+ 0.11
of which broadband lines	4.33	4.34	- 0.01

In the first three months of 2020, 1&1 Drillisch continued to invested in the acquisition of new customers and in the retention of current customer relationships. Focus was on the marketing of mobile internet contracts.

Revenue in the segment "Access" rose by €38.2 million (4.2 percent) in comparison with the first three months of 2019 to €940.7 million (previous year: €902.5 million). The revenue growth includes positive revenue effects of €+3.1 million that resulted from temporary changes in customer use patterns as a consequence of the coronavirus crisis (particularly in the area of telephony, including regulations for working from home and sheltering-in-place restrictions).

In the segment "Access", the cost of materials rose by €36.8 million to €646.1 million (previous year: €609.3 million).

The segment EBITDA amounted to €167.6 million (Q1 2019: €169.2 million). The segment EBITDA includes one-offs amounting to €-0.3 million from ongoing integration projects (previous year: -2.1 million) and additional expenses from the regulatory decision on subscriber line price increases (since 1 July 2019) in the amount of approximately €-4.2 million as well as additional expenses from the EU regulatory decision regarding the costs of text messages (since 15 May 2019) in the amount of approximately €-2.7 million. In addition to these anticipated negative effects, the temporary change in customer use behaviour as a consequence of the coronavirus crisis, especially in the voice telephony segment, had a negative impact of €-4.9 million on the segment's key earnings figures in Q1 2020.

Excluding the above-mentioned effects, comparable EBITDA would have risen by 4.9 percent.

Major revenue and profit indicators in the segment "Access"

	Q1 2020	Q1 2019	Change
Revenue (in €m)	940.7	902.5	+38.2
Service revenue (in €m)	747.8	720.8	+27.0
EBITDA (in €m)	167.6	169.2	-1.6
EBITDA margin (in %)	17.8	18.7	-0.9

Segments "5G" and "Miscellaneous"

The expenses and income relating to the establishment, expansion and operation of the Company's own 5G wireless network are disclosed in the segment "5G".

The segment "Miscellaneous" comprises essentially all the activities related to the offering of custom software solutions and of maintenance and support services.

Owing to the limited profit contributions of these two segments, no further details will be reported.

SITUATION IN THE CORPORATE GROUP

Earnings Position

Growth in Q1 2020 was driven above all by the contract customer business. The number of chargeable customer contracts increased in comparison with Q1 2019 by 0.71 million to 14.43 million contracts.

Sales revenues rose in Q1 2020 by 4.2 percent from €902.5 million in the same quarter of the previous year to €940.7 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 increased by €27.0 million (3.7 percent) from €720.8 million in the same quarter of the previous year to €747.8 million in Q1 2020. This includes positive revenue effects of €+3.1 million that resulted from temporary changes in customer use patterns as a consequence of the coronavirus crisis (particularly in the area of telephony, including regulations for working from home and sheltering-in-place restrictions). Without this positive effect, service revenues would have increased by 3.3 percent (€23.9 million). Service revenues are sustained earnings that determine profit. Low-margin other sales revenues increased from €181.7 million in the same quarter of the previous year to €192.9 million in Q1 2020. 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 were above expectations in Q1 2020, but this business fluctuates according to season and is dependent on the attractiveness of new devices and the model cycles of the hardware manufacturers. However, these revenue fluctuations have no significant impact on EBITDA development.

The cost of sales increased in Q1 2020 by €34.9 million (5.5 percent) to €668.1 million (Q1 2019: €633.2 million). This includes additional expenses from the regulatory decision on subscriber line price increases (since 1 July 2019) in the amount of approximately €-4.2 million and additional expenses from the EU regulatory decision on costs of text messages (since 15 May 2019) in the amount of approximately €-2.7 million as well as higher costs for advance services in connection with the temporary change in customer use behaviour as a consequence of the coronavirus crisis, especially in voice telephony, in the amount of €-8.0 million. Taking into account these additional expenses over Q1 2019, the cost of sales would have risen by 3.2 percent (€20.0 million). The gross margin was 29.0 percent (Q1 2019: 29.8 percent). Gross profit increased slightly by €3.3 million from €269.3 million in Q1 2019 year to €272.6 million.

Distribution costs decreased from €109.4 million in Q1 2019 to €106.5 million in Q1 2020. This is due to the lower expenses for advertising compared with the same quarter of the previous year. In relation to revenue, distribution costs in Q1 2020 amounted to 11.3 percent (Q1 2019: 12.1 percent) Administration costs increased from €23.1 million (2.6 percent of revenue) in Q1 2019 to €25.3 million (2.7 percent of revenue) in Q1 2020.

Other operating income and expenditures fell from €6.9 million in Q1 2019 to €4.6 million in Q1 2020. Impairment losses on financial assets amounted to €19.0 million (Q1 2019: €14.8 million). In the previous year, reclassifications in the amount of about €3.0 million reduced impairment losses. Precluding this effect through other comprehensive income, impairment losses in Q1 2020 would have risen over the same quarter of the previous year by about €1.2 million.

EBITDA in Q1 2020 was €164.0 million (Q1 2019: €168.5 million). EBITDA includes one-offs amounting to €-0.3 million from ongoing integration projects (Q1 2019: €-2.1 million) and additional expenses from the regulatory decision on subscriber line price increases (since 1 July 2019) in the amount of approximately €-4.2 million, additional expenses from the EU regulatory decision on costs of text messages (since 15 May 2019) in the amount of approximately €-2.7 million and costs relating to the planning and preparation of the 5G wireless network in the amount of €-2.8 million (Q1 2019): €-1.0 million). In addition to these anticipated negative effects, the temporary change in customer use behaviour as a consequence of the coronavirus crisis, especially in the voice telephony segment, had a negative impact of €-4.9 million on the segment's key earnings figures in Q1 2020.

Excluding the above-mentioned effects, comparable EBITDA would have risen by 4.3 percent.

The EBITDA margin came to 17.4 percent (previous year: 18.7 percent)

Earnings before interest and taxes (EBIT) amounted to €126.4 million in Q1 2020 (Q1 2019: €128.8 million). The EBIT margin came to 13.4 percent (Q1 2019: 14.3 percent). Excluding the effects from PPA write-offs, the EBIT amounted to €154.2 million and the EBIT margin to 16.4 percent (Q1 2019: €157.4 million (17.4 percent)).

Financing expenses in Q1 2020 amounted to €0.3 million (Q1 2019: €1.3 million). The significantly higher expenses in the same period of the previous year resulted by and large from the conclusion of a line of credit with a European bank syndicate in January 2019 and the related one-off fees together with expenses relating to the provision of this line of credit which was negotiated in the context of the acquisition of 5G frequencies. This credit line was terminated during fiscal year 2019. Finance earnings in Q1 2020 amounted to €0.1 million (Q1 2019: €0.0 million).

Earnings before taxes (EBT) in Q1 2020 amounted to €126.2 million (Q1 2019: €127.5 million). Tax expenses amounted to €38.0 million (Q1 2019: €38.5 million).

The consolidated net profit amounted to €88.2 million (Q1 2019: €89.0 million).

Profit per share in Q1 2020 amounted to €0.50 (Q1 2019: €0.50). Excluding the effects of the PPA write-offs, the profit per share in Q1 2020 amounted to €0.61 (Q1 2019: €0.62).

Major revenue and profit indicators (in €m)

	Q1 2020	Q1 2019	Veränderung
Revenues	940.7	902.5	+38.2
Service revenues	747.8	720.8	+27.0
EBITDA	164.0	168.5	-4.5
EBITDA margin (in %)	17.4	18.7	-1.3
EBIT	126.4	128.8	-2.4
EBIT margin (in %)	13.4	14.3	-0.9

Financial position

Cash flow from operating activities decreased from €126.1 million (Q1 2019) to €120.9 million in the first three months of 2020, mainly due to higher advance service costs. Net cash provided by operating activities increased significantly by €88.0 million from €17.0 million (Q1 2019) to €105.0 million in Q1 2020. There were higher cash outflows in Q1 2019 than in 2020. They resulted mainly from higher prepayments for purchased services that are not recognised through expenses until subsequent periods and the change in contract assets due to increased smartphone sales.

Cash flow from investments shows total net outgoing payments of €123.6 million during the reporting period (previous year: outgoing payments amounting to €2.3 million). Investments in intangible and tangible assets resulted in payments amounting to €7.5 million (previous year: payments amounting to €2.3 million). The investment of free cash resulted in payments of €116.0 million (previous year: €0.0) They relate to the short-term investment of free cash with United Internet AG on the basis of the existing 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 €97.5 million in Q1 2019 (previous year: €14.7 million). In the previous year, investments in wireless communications contracts with hardware that will be reversed or amortised in subsequent periods and higher advance payments for purchased services that will not be recognised through expenses until subsequent periods led to higher cash outflows.

The cash flow from financing activities in the first three months of 2020 relates to payments made in connection with the repayment of finance leasing liabilities in the amount of €3.5 million (previous year: €1.2 million). In the same quarter of the previous year, the repayment of loans to United Internet AG and the acquisition of own stock resulted in payments of €9.0 million and €3.8 million, respectively.

Cash and cash equivalents per 31 March 2020 amounted to €9.7 million in comparison with €31.8 million per 31 December 2019.

Assets and Liabilities

The balance sheet total increased from €6,461.9 million per 31 December 2019 to €6,544.2 million per 31 March 2020.

Short-term assets rose from €1,309.2 million per 31 December 2019 to €1,454.4 million per 31 March 2020. The cash holdings disclosed in the short-term assets declined from €31.8 million to €9.7 million. Trade accounts receivable rose from €228.3 million per 31 December 2019 to €242.6 million per 31 March 2020. Accounts due from associated companies increased from €215.3 million per 31 December 2019 to €330.0 million per 31 March 2020 and, at €326.0 million (31 December 2019 year: €210.0), relate mainly to receivables from the short-term investment of free cash at United Internet AG.

Prepaid expenses increased from €62.1 million to €100.6 million and concern essentially prepaid utilisation fees that will not be recognised through expenditures until later periods. The line item short-term contract assets rose by €5.0 million from €498.1 million per 31 December 2019 to €503.1 million per 31 March 2020 and includes short-term receivables from customers with a term of up to one year from the revenue realisation brought 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 as well as costs of contract fulfilment during the term of the contracts. They declined in total by €2.3 million from €149.7 million per 31 December 2019 to €147.4 million per 31 March 2020.

Inventories declined by €6.7 million from €79.2 million per 31 December 2019 to €72.5 million. Other short-term financial assets at €29.3 million remained almost constant in comparison with 31 December 2019 (31 December 2019: €28.9 million). Other non-financial assets increased from €15.8 million to €19.1 million and concern primarily short-term claims for income and value-added tax.

Long-term assets declined in total from €5,152.7 million per 31 December 2019 to €5,089.9 million per 31 March 2020. Intangible assets decreased from €1,686.0 million per 31 December 2019 to €1,665.0 million per 31 March 2020. Goodwill remains unchanged from the previous year at €2,932.9 million. The assets determined as part of the 1&1 Drillisch purchase price allocation were reduced as scheduled by depreciation and amortisation attributable to these items. Tangible assets fell slight from €64.5 million per 31 December 2019 to €64.2 million per 31 March 2020.

The long-term prepaid expenses fell from €168.3 million per 31 December 2019 to €127.4 million per 31 March 2020 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 declined as a total by €0.8 million from €299.3 million per 31 December 2019 to €298.5 million per 31 March 2020.

Short-term debts decreased in total from €548.9 million per 31 December 2019 to €544.4 million per 31 March 2020. Short-term trade accounts payable increased by €19.9 million to €286.3 million (31 December 2019: €266.4 million). Accounts due to associated companies declined from €79.3 million per 31 December 2019 to €40.7 million per 31 March 2020. They are related to liabilities due to United Internet AG and to other group undertakings of United Internet Group pursuant to the procurement of advance services and other cost allocations. Short-term other financial liabilities increased by €7.0 million from €102.6 million to €109.6 million.

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 increased from €24.5 million per 31 December 2019 to €32.6 million per 31 March 2020.

Long-term debts decreased slightly from €1,272.2 million per 31 December 2019 to €1,270.5 million per 31 March 2020. Deferred tax liabilities fell by €5.6 million from €229.7 million per 31 December 2019 to €224.1 million per 31 March 2020. The contractual liabilities amounting to €5.4 million (31 December 2019: €5.0 million) include long-term income from one-time fees that is to be deferred in accordance with the application of IFRS 15.

Group equity rose from €4,640.8 million per 31 December 2019 to €4,729.3 million per 31 March 2020. The share capital remains unchanged at €193.9 million. The share capital is distributed in 176,764,649 no-par shares issued to the bearer with a proportionate share in the share capital of €1.10 each and represents the share capital of 1&1 Drillisch AG. In fiscal years 2018 and 2019, a total of 500,000 1&1 Drillisch AG shares were acquired as part of the stock repurchase programme, reducing the number of shares outstanding to 176,264,649 shares. Consolidated earnings per 31 March 2020 increased by €88.2 million from €2,018.1 million per 31 December 2019 to €2,106.3 million. The equity ratio increased from 71.8 percent per 31 December 2019 to 72.3 percent per 31 March 2020.

SUPPLEMENTARY REPORT

On 30 April 2020, 1&1 Drillisch filed an arbitration petition for the replacement of the arbitrator's assessment in the Price Adjustment Procedure 1 against Telefónica. 1&1 Drillisch has reviewed the arbitrator's assessment in detail. In the view of 1&1 Drillisch, the arbitrator's assessment contains gross methodological errors as well as discrepancies in content and must be replaced by a proper assessment of the need for price adjustments. In addition to the arbitration proceedings for Price Adjustment Procedure 1, Price Adjustment Procedures 2 and 5 are also underway. These procedures cover the entire period from September 2017. It was possible to withdraw the Price Adjustment Procedures 3 and 4 due to the new Price Adjustment Procedure 5.

RISKS AND OPPORTUNITIES REPORT

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.

Overall Statement by the Management Board on the Group's Risk and Opportunity Situation

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

The overall risk and opportunity situation remained largely stable in the first three months of 2020 compared with the risk and opportunity reporting in the 2019 annual financial statements. No risks to the continued existence of 1&1 Drillisch as a going concern were identifiable either from single risk positions or from the overall risk situation during the reporting period or at the time this quarterly release was prepared.

In the course of fiscal year 2020 to date, the risk situation has not changed as a consequence of the continuing global spread of the coronavirus (Sars-CoV-2) in the risk areas of "procurement market" and "external risks – personnel crises" and others in comparison with the presentation in the consolidated annual financial statements per 31 December 2019. The spread of the virus may have a negative impact on consumer and business demand, the procurement of advance services (e.g. smartphones, wlan-routers, servers or network technology) or the health and fitness of employees, ultimately having a detrimental effect on the performance capability of 1&1 Drillisch.

OUTLOOK

1&1 Drillisch aims to achieve further customer growth in fiscal year 2020. In view of the uncertainties in the overall economic conditions because of the continuing spread of the coronavirus, 1&1 Drillisch expects revenues and earnings in in fiscal year 2020 to remain roughly at the previous year’s level, provided that terms and conditions for advance services remain the same. This forecast is subject to uncertainties as it is not possible at present to make an exact assessment of the duration and effects of the coronavirus crisis. 1&1 Drillisch will analyse the impact of the crisis on business development in the coming weeks and months and is planning a more specific update of the aforementioned forecast as part of the semi-annual report 2020.

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 correct, and it neither assumes any obligation, nor does it have the 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 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" or "1&1 Drillisch Group"), is a telecommunications provider that operates solely and exclusively in Germany. With more than 14 million contracts, 1&1 Drillisch is a leading internet specialist and is authorised to use one of the largest fibre optic networks in Germany because of its affiliation with the company 1&1 Versatel GmbH, Düsseldorf (hereinafter: "1&1 Versatel GmbH"), which is a member of the United Internet AG corporate group. As a virtual wireless network operator, 1&1 Drillisch has guaranteed access to up to 30 percent of the capacity of Telefónica's wireless network in Germany (so-called Mobile Bitstream Access Mobile Virtual Network Operator = MBA MVNO). In addition, 1&1 Drillisch utilises capacities in Vodafone's wireless network. The group's business unit Access offers landline- and wireless network-based internet access products. They include, among others, chargeable landline and wireless access products, 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 in 63477 Maintal, Germany. The Company is registered in the Commercial Register of the Hanau Local Court under the number HRB 7384.

Major Accounting, Valuation and Consolidation Principles

The quarterly release of 1&1 Drillisch AG per 31 March 2020 was prepared, as were the consolidated annual financial statements per 31 December 2019, in accordance with the International Financial Reporting Standards (IFRS) as they are to be applied in the European Union (EU).

This quarterly release does not constitute an interim report within the sense of IAS 34. The accounting and valuation principles applied in the quarterly release are exactly the same as the methods applied per 31 December 2019 with the exception of the standards that must be applied for the first time, and it must be read in the context of the consolidated financial statements per 31 December 2019.

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 Financial Key Figures Relevant to Business Management

Financial performance indicators such as EBITDA, EBITDA margin, EBIT, EBIT margin or free cash flow are used in addition to the disclosures required by the International Financial Reporting Standards (IFRS) in the Company's annual and interim financial statements to ensure a clear and transparent presentation of 1&1 Drillisch's business development. Information about the use, definition and calculation of these performance indicators is available starting on page 37 of the Annual Report 2019 of 1&1 Drillisch AG.

The performance indicators used by 1&1 Drillisch are adjusted for special effects insofar as necessary to ensure a clear and transparent presentation. As a rule, the special effects are related solely to those effects that, because of their nature, frequency and/or scope, are capable of negatively affecting the meaningfulness of the financial performance indicators for the financial and earnings development of the Company. All special effects are pointed out and explained in the relevant chapter of the financial statements for the purpose of the rollover to the unadjusted financial performance indicators.

Miscellaneous

All subsidiaries are included in the consolidated interim financial statements. There has been no change in the companies included in the consolidation in comparison with the consolidated annual financial statements per 31 December 2019.

No companies were acquired or sold in the 2020 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 31 MARCH 2020

CONSOLIDATED BALANCE SHEET

per 31 March 2020

	31/03/2020 €k	31/12/2019 €k
ASSETS		
Short-term assets		
Cash and cash equivalents	9,734	31,785
Trade accounts receivable	242,623	228,261
Receivables due from associated companies	330,009	215,329
Inventories	72,544	79,227
Contract assets	503,124	498,111
Costs of obtaining contracts	102,080	88,942
Costs of fulfilling contracts	45,266	60,747
Prepaid expenses	100,642	62,056
Other financial assets	29,285	28,923
Other non-financial assets	19,061	15,844
	1,454,368	**1,309,225**
Long-term assets		
Other financial assets	1,777	1,678
Tangible assets	64,247	64,496
Intangible assets	1,665,008	1,686,027
Goodwill	2,932,943	2,932,943
Contract assets	176,642	173,747
Costs of obtaining contracts	67,541	81,985
Costs of fulfilling contracts	54,326	43,584
Prepaid expenses	127,366	168,259
	5,089,850	**5,152,719**
TOTAL ASSETS	**6,544,218**	**6,461,944**

	31/03/2020 €k	31/12/2019 €k
LIABILITIES AND EQUITY		
Short-term liabilities		
Trade accounts payable	286,332	266,369
Liabilities due to associated companies	40,739	79,294
Contract liabilities	39,663	40,314
Other provisions	6,471	6,559
Other financial liabilities	109,640	102,634
Other non-financial liabilities	28,974	29,256
Income tax liabilities	32,599	24,469
	544,418	**548,895**
Long-term liabilities		
Contract liabilities	5,389	4,960
Other provisions	45,136	45,670
Other financial liabilities	995,835	991,825
Deferred tax liabilities	224,142	229,748
	1,270,502	**1,272,203**
TOTAL LIABILITIES	**1,814,920**	**1,821,098**
Equity		
Share capital	193,891	193,891
Capital reserves	2,430,128	2,429,876
Cumulative consolidated results	2,106,255	2,018,055
Other equity	-976	-976
TOTAL EQUITY	**4,729,298**	**4,640,846**
TOTAL LIABILITIES AND EQUITY	**6,544,218**	**6,461,944**

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

from 1 January to 31 March 2020

	2020 January - March €k	2019* January - March €k
Sales	940,722	902,506
Cost of sales	-668,149	-633,236
GROSS PROFIT FROM REVENUES	**272,573**	**269,270**
Distribution costs	-106,461	-109,426
Administration costs	-25,336	-23,142
Other operating income / expenses	4,560	6,857
Impairment losses from receivables and contract assets	-18,985	-14,765
RESULTS FROM OPERATING ACTIVITIES	**126,351**	**128,794**
Financing expenses	-260	-1,319
Financial income	141	32
PROFIT BEFORE TAXES	**126,232**	**127,507**
Tax expenses	-38,032	-38,469
CONSOLIDATED PROFIT	**88,200**	**89,038**
Profit per share (in €)		
- undiluted	0.50	0.50
- diluted	0.50	0.50
Weighted average number of shares outstanding (in millions)		
- undiluted	176.26	176.68
- diluted	176.26	176.68
Rollover to total consolidated profit		
CONSOLIDATED PROFIT	**88,200**	**89,038**
Categories that may subsequently be reclassified in the profit and loss account (net)	0	0
Categories that will not subsequently be reclassified in the profit and loss account (net) - Net profits or losses from equity instruments that are measured at fair market value as non-operating results in other results	0	0
Other results	0	0
TOTAL CONSOLIDATED PROFIT	**88,200**	**89,038**

*The consolidated comprehensive income statement Q1 2019 has been restated for better comparability.

CONSOLIDATED CASH FLOW STATEMENT

from 1 January to 31 March 2020

	2020 January - March €k	2019 January - March €k
RESULTS FROM OPERATING ACTIVITIES		
Consolidated profit	88,200	89,038
Allowances for rollover of consolidated results to incoming and outgoing payments		
Depreciation on intangible and tangible assets	6,454	7,850
Depreciation on assets capitalised within the framework of corporate acquisitions	31,223	31,818
Personnel expenses from employee stock ownership programmes	252	719
Changes in the adjustment items for deferred tax assets	-5,600	-3,316
Correction profits/losses from the sale of tangible assets	417	0
Other items not affecting payments	0	5
CASH FLOW FROM OPERATING ACTIVITIES	**120,946**	**126,114**
Changes in assets and liabilities		
Change in receivables and other assets	-17,940	24,969
Change in contract assets	-7,908	-39,137
Change in inventories	6,683	-9,631
Change in costs of obtaining and fulfilling contracts	6,045	729
Change in deferred expenditures	2,306	-41,327
Change in trade accounts payable	19,963	-19,228
Change in other provisions	-622	-4,088
Change in income tax liabilities	8,130	-13,681
Change in other liabilities	4,849	20,530
Change in receivables due from/liabilities due to associated companies	-37,235	-24,885
Change in contract liabilities	-222	-3,401
Changes in assets and liabilities, total	**-15,951**	**-109,150**
Net inflow of funds from operating activities	**104,995**	**16,964**

	2020 January - March €k	2019 January - March €k
CASH FLOW FROM INVESTMENTS		
Investments in intangible and tangible assets	-7,482	-2,254
Inflow of funds from disposal of intangible and tangible assets	4	41
Investments in other financial assets	-100	-79
Outflow of funds for the grant of loans to associated companies	-116,000	0
Reimbursements from other financial assets	0	1
Net outflow of funds in investment sector	**-123,578**	**-2,291**
CASH FLOW FROM FINANCING SECTOR		
Repayment of leasing liabilities	-3,468	-1,216
Acquisition of treasury stock	0	-3,844
Outflow of funds to associated companies in repayment of loans	0	-9,000
Net outflow of funds in financing sector	**-3,468**	**-14,060**
Net decline/increase in cash and cash equivalents	-22,051	613
Cash and cash equivalents at beginning of fiscal year	31,785	3,968
Cash and cash equivalents at end of reporting period	**9,734**	**4,581**

CONSOLIDATED CHANGE IN EQUITY STATEMENT

in Fiscal Years 2020 and 2019

	Share capital		Capital reserves	Cumulative consolidated results	Other equity	Total equity
	Denomination	€k	€k	€k	€k	€k
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	-3,844
Per 31 March 2019	**176,264,649**	**193,891**	**2,430,516**	**1,742,286**	**-704**	**4,365,989**
Per 1 January 2020	**176,264,649**	**193,891**	**2,429,876**	**2,018,055**	**-976**	**4,640,846**
Consolidated profit		0	0	88,200	0	88,200
Total results		**0**	**0**	**88,200**		**88,200**
Employee stock ownership programme		0	252	0	0	252
Per 31 March 2020	**176,264,649**	**193,891**	**2,430,128**	**2,106,255**	**-976**	**4,729,298**

SEGMENT REPORTING

from 1 January to 31 March 2020

	Access €k	5G €k	Miscellaneous €k	Consolidation €k	Total €k
Revenues with third parties	940,698	0	24	0	940,722
Intercompany revenues	2	0	2,979	-2,981	0
Segment revenues	**940,700**	**0**	**3,003**	**-2,981**	**940,722**
Cost of materials external third parties	-646,063	0	-3	0	-646,066
Cost of materials from intercompany relationships	0	0	-2	2	0
Cost of materials for segment	**-646,063**	**0**	**-5**	**2**	**-646,066**
Gross profit for segment	**294,637**	**0**	**2,998**	**-2,979**	**294,656**
Segment EBITDA	**167.633**	**-2.763**	**571**	**-1,414**	**164,027**
Customer contracts (in millions)	**14.43**	**-**	**-**	**-**	**14.43**

from 1 January to 31 March 2019*

	Access €k	5G €k	Miscellaneous €k	Consolidation €k	Total €k
Revenues with third parties	902,473	0	33	0	902,506
Intercompany revenues	0	0	3,309	-3,309	0
Segment revenues	**902,473**	**0**	**3,342**	**-3,309**	**902,506**
Cost of materials external third parties	-609,272	0	-7	0	-609,279
Cost of materials from intercompany relationships	0	0	0	0	0
Cost of materials for segment	-609,272	0	-7	0	-609,279
Gross profit for segment	**293,201**	**0**	**3,335**	**-3,309**	**293,227**
Segment EBITDA	**169,221**	**-1.032**	**1.471**	**-1,198**	**168,462**
Customer contracts (in millions)	**13.72**	**-**	**-**	**-**	**13.72**

* The segment reporting Q1 2019 has been restated for better comparability.

OTHER

FINANCIAL CALENDAR*

13 May 2020	Quarterly Statement Q1 2020
19 May 2020	Annual General Meeting, Frankfurt
13 August 2020	6-Month Report 2020, Press and Analyst Meeting
10 November 2020	Quarterly Statement Q3 2020

* 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 Quarterly Statement.

Investor Relations:

Wilhelm-Röntgen-Straße 1-5
D - 63477 Maintal

Telephone: +49 (0) 61 81 / 412 200
Telefax: +49 (0) 61 81 / 412 183
E-Mail: ir@1und1-drillisch.de

Press:

Wilhelm-Röntgen-Straße 1-5
D - 63477 Maintal

Telephone: +49 (0) 61 81 / 412 124
Telefax: +49 (0) 61 81 / 412 183
E-Mail: presse@1und1-drillisch.de

LEGAL INFORMATION

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

Company Headquarters:

Wilhelm-Röntgen-Straße 1-5
D - 63477 Maintal

Telephone: +49 (0) 61 81 / 412 3
Telefax: +49 (0) 61 81 / 412 183

Management Board:

» Ralph Dommermuth (CEO)

» Markus Huhn

» Alessandro Nava

Investor Relations Contact:

Telephone: +49 (0) 61 81 / 412 200
Telefax: +49 (0) 61 81 / 412 183
E-Mail: ir@1und1-drillisch.de

Commercial Register Entry:

HRB 7384 Hanau
HRB 7384 Hanau
VAT ID No.: DE 812458592
Tax No.: 03522506037
Offenbach City Tax Office

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 Quarterly 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 Quarterly 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.

1&1 DRILLISCH AG

Wilhelm-Röntgen-Str. 1-5
63477 Maintal
Deutschland

www.1und1-drillisch.de