REPORT ON THE FIRST HALF-YEAR 2019

DATA & FACTS

Selected key figures	H1 2019	H1 2018	Change	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Profit (in €m)							
Revenues	1,825.6	1,819.0	0.4%	913.5	912.1	943.1	900.4
Service revenues	1,471.1	1,423.3	3.4%	740.7	730.4	730.4	728.6
Hardware and Other revenues	354.5	395.7	-10.4%	172.8	181.7	212.6	171.8
EBITDA	340.4	340.1	0.1%	172.0	168.5	197.2	184.7
EBITDA margin in % of revenue	18.6%	18.7%		18.8%	18.5%	20.9%	20.5%
EBIT excluding PPA write-offs	318.3	319.9	-0.5%	160.9	157.4	186.8	175.0
EBIT margin in % of revenue excluding PPA write-offs	17.4%	17.6%		17.6%	17.3%	19.8%	19.4%
EBIT	261.1	262.7	-0.6%	132.3	128.8	158.2	146.4
EBIT margin in % of revenue	14.3%	14.4%		14.5%	14.1%	16.8%	16.3%
EBT	256.0	262.5	-2.5%	128.4	127.5	154.8	145.3
EBT margin in % of revenue	14.0%	14.4%		14.1%	14.0%	16.4%	16.1%
Profit per share in € excluding PPA write-offs	1.24	1.24	0.0%	0.62	0.62	0.83	0.68
Profit per share (in euros)	1.01	1.01	0.0%	0.51	0.50	0.71	0.57
Cash flow (in €m)							
Net inflow of funds from operating activities (before capital gains tax payments)	86.2	44.6	93.3%	69.2	17.0	34.5	76.5
Net outflow of funds from investments	-5.3	-12.7	58.8%	-3.0	-2.3	-5.9	-2.8
Free Cashflow	81.1	40.1	102.0%	66.4	14.7	28.7	73.8
Headcount (incl. Management Board)							
Total per end of June	3,108	3,145	-1.2%	3,108	3,123	3,150	3,130
Customer contracts (in millions)							
Access, contracts	13.92	13.04	6.7%	13.92	13.72	13.54	13.26
of which mobile internet	9.58	8.73	9.7%	9.58	9.37	9.20	8.93
of which broadband (ADSL, VDSL, FTTH)	4.34	4.31	0.7%	4.34	4.35	4.34	4.33

	30/06/2019	31/12/2018	Change	30/06/2019	31/03/2019	31/12/2018	30/09/2018
Balance sheet (in €m)							
Short-term assets	1,073.0	1,064.6	0.8%	1,073.0	1,059.6	1,064.6	905.8
Long-term assets	4,150.4	4,182.1	-0.8%	4,150.4	4,206.3	4,182.1	4,262.6
Shareholders' equity	4,448.7	4,280.1	3.9%	4,448.7	4,366.0	4,280.1	4,175.8
Balance sheet total	5,223.4	5,246.6	-0.4%	5,223.4	5,265.9	5,246.6	5,168.5
Equity ratio	85.2%	81.6%		85.2%	82.9%	81.6%	80.8%

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LETTER FROM THE MANAGEMENT BOARD

Dear Shareholders,

1&1 Drillisch AG can look back on a successful first half of 2019. 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 broadband 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.

Now for the operating side of the business:

During HY1 2019, 1&1 Drillisch continued to invest in new customer contracts as well as in retention and increased value of current customer relationships to secure sustained growth in profits. The number of customer contracts in the current product lines rose by 380,000 to 13.92 million contracts (31/12/2018: 13.54 million) during the first six months. In the mobile internet sector, there was a gain of 380,000 customer contracts, raising the number of contracts to 9.58 million (31/12/2018: 9.20 million). Broadband lines stayed stable at 4.34 million (31/12/2018: 4.34 million). In comparison with the closing date of the previous year, the number of customer contracts increased by 880,000 (6.7%).

Revenues increased by €6.6 million (0.4%) to €1,825.6 million (HY1 2018: €1,819.0 million). The high-margin service revenues increased as planned by €47.8 million (3.4%) to €1,471.1 million during the first half of 2019 (HY1 2018: €1,423.3 million). These earnings are the subject of our focus because they are sustainable and determine our profit. Besides the new customers, more and more of our current customers who have previously used rate plans in the Vodafone mobile network are displaying an interest in changing to fast LTE rate. Since LTE rate plans are offered at reduced prices during the first contractual year, growth in the service revenue in the first half of the year declined by 1.3% – otherwise, it would have amounted to 4.7%.

In contrast, 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 €41.2 million (10.4%) from €395.7 million in the previous year to €354.5 million in HY1 2019. The hardware sales during the first half of the year 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 noteworthy impact on our EBITDA development.

The consolidated EBITDA (earnings before interest, taxes and depreciation and amortisation) improved in the first six months of 2019 to €340.4 million (HY1 2018 €340.1 million). This small increase results from a contractual adjustment mechanism for certain advance service prices not being extended again at the end of 2018. This temporarily led to additional costs in the amount of about €37.1 million during the first half of 2019. Contrary our original expectations, a replacement or compensation for the expired regulation has not been decided. However, the corresponding advance service prices are currently the subject of arbitration proceedings, and we expect a binding decision about the nature and amount of a permanent price adjustment that will lead to retroactively lower advance service prices in October of this year.

If the effects from IFRS 16, the expenditures for integration projects and the temporary price increase for advance services are excluded, the EBITDA would have risen by 8.6% from €347.8 million in the previous year to €377.5 million in the first half of 2019.

Besides the success in the operating business described above, we successfully participated in the 5G frequency auction that ended on 12 June 2019 through our subsidiary Drillisch Netz AG and acquired two frequency blocks à 2 x 5 MHz in the 2 GHz range and five frequency blocks à 10 MHz in the 3.6 GHz range. The total hammer price amounted to about €1.07 billion, of which, in accordance with the terms and conditions of the auction, about €735 million for the frequency blocks in the 3.6 GHz range is due within 65 bank days after the award. Another approximately €335 million for the frequency blocks in the 2 GHz range is due and payable by 30 June 2024 because this spectrum will become available from

January 2026. Up until this time, 1&1 Drillisch has the opportunity to lease frequencies in the scope of 2 x 10 MHz in the range 2.6 GHz on the basis of a voluntary commitment of Telefónica Germany made as part of the EU cartel approval of the merger with E-Plus. This spectrum will be available until 31 December 2025.

In acquiring these frequencies, we have laid the cornerstone for successful and long-term positioning of 1&1 Drillisch Group as the fourth mobile network operator in Germany and are planning to establish a powerful mobile services network.

We are expecting the number of customers to continue to grow throughout all of 2019. Owing to the increased demand on the part of current customers for LTE mobile rate plans, we are restating our revenue forecast in that we now expect an increase by about 3% instead of growth of about 4% in the service revenue for 2019 (2018: €2,882.3 million). Owing to the advantageous LTE procurement model, this restatement does not have any negative impact on our profitability. On the contrary, a negative regulatory effect of about €10 million (increase in subscriber connection line charges from July 2019) and initial costs of about €5 million related to the planning and preparations of our 5G mobile services network have been newly incorporated into our EBITDA projection. We currently expect EBITDA to grow by about 8% in 2019 instead of increasing by about 10% (2018: €721.9 million). After the conclusion of the aforementioned assessment arbitration, we are planning to issue an even more concrete forecast for the EBITDA.

We are in a good position to take the next steps in our Company's development, and we are looking ahead to the future with confidence. In view of the successful first half of the year, we want to express our special thanks to all of our associates for their commitment and work and to our shareholders and business partners for the trust they have placed in 1&1 Drillisch AG.

Best regards from Maintal

Ralph Dommermuth | André Driesen | Markus Huhn | Alessandro Nava

Maintal, 15 August 2019

INTERIM GROUP MANAGEMENT REPORT FOR THE FIRST SIX MONTHS OF 2019

GENERAL INFORMATION ABOUT THE GROUP

Business model

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). In addition, 1&1 Drillisch uses capacities from Vodafone. 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.

1&1 Drillisch – sole MBA MVNO on the German mobile market

Pursuant to the MBA MVNO agreement concluded with Telefónica in June 2014, Telefónica grants to 1&1 Drillisch via its wholly-owned subsidiary Drillisch Online GmbH, Maintal (as the only competitor on the German mobile market) access to up to 30% of the utilised network capacity of Telefónica in the mobile network of Telefónica and E-Plus that is controlled after the merger of the two companies. This right applies to all future as well as current technologies, including 5G. At the same time, 1&1 Drillisch obtains access rights to the so-called "Golden Grid Network" of Telefónica that has been created by the merger. This means access to the enhanced footprint of the mobile network of Telefónica, including all necessary technical specifications and the technical capability to reduce speed and restrict transport in the event of excessive data utilisation by end customers.

In accordance with the concluded agreement, there are also the following options: (1) becoming a so-called full MVNO in the mobile network of Telefónica, that is, a mobile provider that operates its own full core network and uses solely the access network of Telefónica (“Full MVNO”), and/or (2) becoming a licensed mobile network operator (“MNO”).

Successful acquisition of 5G frequencies

In its capacity as a wholly-owned subsidiary of 1&1 Drillisch, Drillisch Netz AG successfully participated in the 5G auction that ended on 12 June 2019 and was able to acquire two frequency blocks à 2 x 5 MHz in the 2 GHz range and five frequency blocks à 10 MHz in the 3.6 GHz range. The total hammer price amounted to about €1.07 billion, of which, in accordance with the terms and conditions of the auction, about €735 million for the frequency blocks in the 3.6 GHz range is due within 65 bank days after the award. Another approximately €335 million for the frequency blocks in the 2 GHz range is due and payable by 30 June 2024 because this spectrum will not become available until January 2026. Up until this time, 1&1 Drillisch has the opportunity to lease frequencies in the scope of 2 x 10 MHz in the range 2.6 GHz on the basis of a voluntary commitment of Telefónica Germany made as part of the EU cartel approval of the merger with E-Plus. This spectrum will be available until 31 December 2025.

The acquisition of the frequencies laid the cornerstone for successful and long-term positioning of 1&1 Drillisch as the fourth mobile network operator in Germany. From this foundation, the Company’s plan is to establish its own powerful mobile network.

Group structure, strategy and management

Reference is made to the explanatory comments in the consolidated management report for fiscal year 2018 relating to the group structure, strategy and management of the Company. There have not been any significant changes here from the perspective of the Group.

Within 1&1 Drillisch Group, 1&1 Drillisch AG, the parent company, concentrates on the holding tasks such as management, finances and accounting, controlling, cash management, Human Resources, risk management, corporate communications and investor relations along with the definition, management and monitoring of the global corporate strategy.

The operating business is essentially handled by 1&1 Telecommunication SE (in particular, by 1&1 Telecom GmbH) and by Drillisch Online GmbH.

1&1 Drillisch AG is a listed subsidiary of United Internet AG, Montabaur, which is also listed.

- 1&1 Drillisch AG
  - **1&1 Telecommunication SE**
    - 1&1 Telecom Holding GmbH
      - 1&1 Telecom GmbH
    - 1&1 Telecom Sales GmbH
    - 1&1 Telecom Service Montabaur GmbH
    - 1&1 Telecom Service Zweibrücken GmbH
    - 1&1 Berlin Telecom GmbH
    - 1&1 Logistik GmbH
  - **Drillisch Online GmbH**
    - Drillisch Netz AG
    - Mobile Ventures GmbH
  - **IQ-optimize Software AG**
  - **Drillisch Logistik GmbH**

Business activities

Contracts subject to charge with 13.92 million subscribers make 1&1 Drillisch one of the leading providers of broadband and mobile services products in Germany.

Segment “Access”

The Group’s operating business activities take place primarily in the reporting segment “Access”. The Group’s mobile 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 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 other 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.

Segments “5G” and “Miscellaneous”

The expenses and income relating to the preparation and conduct of the 5G frequency auction and resulting from the establishment, expansion and operation of the Company’s own 5G network will be 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 this segment, no further details will be reported.

General economic and industry-related conditions

Development of the overall economy

Upon expiration of HY1 2019, the International Monetary Fund (IMF) adjusted its growth forecasts downward for Germany and other countries. In its World Economic Outlook, Update July 2019, IMF projects growth of 0.7% for Germany. This is a decline of 0.6 percentage points in comparison with the project of January 2019 (1.3%).

Changes in growth forecasts 2019

	January forecast	April forecast	**July forecast**	Change from January forecast
World economy	3.5%	3.3%	3.2%	-0.3 percentage point
Germany	1.3%	0.8%	0.7%	-0.6 percentage point

Source: International Monetary Fund, World Economic Outlook (Update), July 2019

Calculations of the Federal Statistical Office (Destatis) indicated that the gross domestic product in Germany (adjusted for price, season and calendar) in Q1 2019 increased by 0.4% as in the previous year. For Q2 2019, the German Institute for Economic Research (DIW Berlin), in contrast, projects growth of no more than 0.1% in its economic barometer for June – compared to 0.5% in the previous year.

Development of gross domestic product (GDP)
in Germany in comparison with the related previous quarter

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	**Q2 2019e**
GDP	+ 0.4 %	+ 0.5 %	- 0.2 %	+/- 0.0 %	+ 0.4 %	+ 0.1 %

Source: Destatis (Q1 2018–Q1 2019) and DIW Berlin (Q2 2019), June 2019

General legal conditions/Major events

The general legal conditions for 1&1 Drillisch’s business operations remained essentially constant in the first half of 2019 in comparison with fiscal year 2018, so there was no major impact on business development within 1&1 Drillisch Group.

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 semi-annual finance report on the first half of 2019.

1&1 Drillisch is exclusively a lessee. Most of the leases in the Group are related to the leasing of buildings 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 the standard retroactively to every earlier reporting period that is presented. 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 HY1 2019 had a positive effect on the EBITDA in the Group in the amount of €2.3 million. The EBITDA effect occurred primarily in the segment “Access” (€+2.0 million).

COURSE OF BUSINESS

Development in the segment “Access”

The Group’s operating business activities take place primarily in the reporting segment “Access”. This is where 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. The segment reporting is aligned with the internal organisation and reporting structure.

1&1 Drillisch operates exclusively in Germany and is one of the country’s leading providers in the telecommunications sector. The Company uses the landline network of the affiliate 1&1 Versatel GmbH, a member company of United Internet AG Group, and the access right to the Telefónica network; in addition, it purchases standardised network services from various providers of advance services. Access to the mobile or landline 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 (for example) the well-known brands 1&1, smartmobil.de or yourfone, which are employed to address the market comprehensively in orientation to specific target groups.

During the first half of 2019, 1&1 Drillisch invested in the acquisition of new customers and in the retention of current customer relationships. Focus was on the marketing of mobile internet contracts.

The number of contracts subject to charge rose in the first six months of 2019 by 0.38 million to 13.92 million contracts. All new contracts were acquired in the mobile internet business, increasing the number of customers here to 9.58 million. The number of contracts for broadband lines remained at a constant level of 4.34 million subscriber contracts in comparison with the end of fiscal year 2018.

Development of contracts during the first 6 months of 2019 (in millions)

	30/06/2019	31/03/2019	31/12/2018	Change H1
Total contracts	13.92	13.72	13.54	+0.38
of which mobile internet	9.58	9.37	9.20	+0.38
of which broadband lines	4.34	4.35	4.34	+/-0.00

Revenue in the segment “Access” increased in comparison with the first half of 2018 by €6.7 million (0.4%) to €1,825.5 million (previous year: €1,818.8 million).

In the segment “Access”, the cost of materials declined by €7.2 million to €1,234.5 million (previous year: €1,241.7 million).

The segment EBITDA rose by 0.9% from €339.9 million in the previous year to €342.8 million. This includes €2.0 million from the first-time application of the IFRS 16 regulations as well as one-off effects from expenditures in the amount of €2.3 million incurred as part of integration projects. At the end of 2018, a contractual adjustment mechanism regulating prices for certain advance services was not extended again. This temporarily led to additional costs in the amount of about €37.1 million during the first half of 2019. Contrary to original expectations, a replacement or compensation for the expired regulation has not been decided. However, the corresponding advance service prices are currently the subject of arbitration proceedings, which are expected to lead to a binding decision about the nature and amount of a permanent price adjustment in October of this year. The Management Board expects this arbitration decision to result in retroactively lower advance service prices.

If the effects from IFRS 16, the expenditures for integration projects and the temporary price increase for advance services are excluded, the EBITDA would have risen by 9.4% from €347.6 million in the previous year to €380.2 million in the first half of 2019.

Major revenue and profit indicators in the segment “Access”

	H1 2019	H1 2018	Change
Revenue (in €m)	1,825.5	1,818.8	+6.7
Service revenue (in €m)	1,471.1	1,423.3	+47.8
EBITDA (in €m)	342.8	339.9	+2.9
EBITDA margin (in %)	18.8	18.7	+0.1

Quarterly development: Change over same quarter of previous year

	Q2 2019	Q2 2018	Change
Revenue (in €m)	913.5	914.7	-1.2
Service revenue (in €m)	740.7	717.6	+23.1
EBITDA (in €m)	173.6	173.1	+0.5
EBITDA margin (in %)	19.0	18.9	+0.1

In the first half of 2019, an average of 3,116 (previous year: 3,144) persons, including the three Management Board members of 1&1 Drillisch AG, was employed at 1&1 Drillisch Group.

POSITION OF THE GROUP

Profitability

Growth in the first six months of 2019 was carried above all by the contract customer business. The number of customer contracts subject to segment increased by 0.38 million to 13.92 million contracts.

Sales revenues rose in the first half of 2019 by 0.4% from €1,819.0 million in the previous year to €1,825.6 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 €47.8 million (3.4%) from €1,423.3 million in the previous year to €1,471.1 million in the first half of 2019. These are sustained earnings that determine profit. Besides the new customers, more and more of our current customers who have previously used rate plans in the Vodafone mobile network are displaying an interest in changing to fast LTE rate. Since that LTE rate plans are offered at reduced prices during the first contractual year, growth in the service revenue in the first half of the year declined by 1.3% or € 23,1 million (previous year: € -4,5 million) – otherwise, it would have amounted to 4.7%. Contrary to this development, the low-margin Other sales declined from €395.7 million in the previous year to €354.5 million in the first half of 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 the first half of the year 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 noteworthy impact on the EBITDA development.

Cost of sales decreased in the first half of 2019 by €8.8 million (0.7%) to €1,282.5 million (previous year: €1,291.3 million). The gross margin increased from 29.0% in the previous year to 29.8%. Gross profit rose by €15.4 million from €527.7 million in the previous year to €543.1 million.

Distribution costs rose from €204.1 million in the previous year to €209.2 million in the first half of 2019. In relation to revenue, distribution costs amounted to 11.5% in the first half of 2019 (previous year: 11.2%). Administration costs increased from €46.1 million in the previous year (2.5% of revenue) to €50.2 million (2.8% of revenue). This was a consequence of increased expenditures for third-party services and for consultation services and higher personnel expenses.

The EBITDA amounted to €340.4 million (previous year: €340.1 million). This includes positive effects from the first-time application of the IFRS 16 regulations in the amount of €2.3 million as well as one-off effects from expenditures in the amount of €2.3 million incurred as part of integration projects. This small increase results from a contractual adjustment mechanism for certain advance service prices not being extended again at the end of 2018. This temporarily led to additional costs in the amount of about €37.1 million during the first half of 2019. Contrary to original expectations, a replacement or compensation for the expired regulation has not been decided. However, the corresponding advance service prices are currently the subject of arbitration proceedings, which are expected to lead to a binding decision about the nature and amount of a permanent price adjustment in October of this year. The Management Board expects this arbitration decision to result in retroactively lower advance service prices.

If the effects from IFRS 16, the expenditures for integration projects and the temporary price increase for advance services are excluded, the EBITDA would have risen by 8.6% from €347.8 million in the previous year to €377.5 million in the first half of 2019. The EBITDA margin came to 18.6% (previous year 18.7%).

Earnings before interest and taxes (EBIT) in the first half of 2019 amounted to €261.1 million (previous year: €262.7 million). The EBIT margin came to 14.3% (previous year: 14.4%). Excluding the effects from PPA write-offs, the EBIT amounted to €318.3 million and the EBIT margin to 17.4% (previous year: €319.9 million and 17.6%).

Financing expenses in HY1 2019 amounted to €5.4 million (previous year: €0.5 million). The change over the same period of the previous year results 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 these lines of credit. Financial income remained virtually constant at €0.2 million (Previous year: €0.3 million).

Earnings before taxes (EBT) in the first half of 2019 amounted to €256.0 million (previous year: €262.5 million). Tax expenses amounted to €77.0 million (previous year: €83.2 million).

Consolidated profit remained virtually constant at €178.9 million (Previous year:: €179.3 million).

Profit per share per 30 June 2019 came to €1.01 (30 June 2018: €1.01). Excluding the effects of the PPA write-offs, the profit per share per 30 June 2019 amounted to €1.24 (30 June 2018: €1.24).

Major revenue and profit indicators (in €m)

	H1 2019	H1 2018	Change
Revenues	1,825.6	1,819.0	+6.6
Service revenues	1,471.1	1,423.3	+47.8
EBITDA	340.4	340.1	+0.3
EBITDA margin (in %)	18.6	18.7	-0.1
EBIT	261.1	262.7	-1.6
EBIT margin (in %)	14.3	14.4	-0.1

Financial position

Cash flow from operating activities in the first half of 2019 amounted to €246.2 million (previous year: €248.9 million). Net inflow of funds from operating activities before capital gains tax payments rose from €44.6 million in the same period of the previous year to €86.2 million in the first half of 2019. Higher payments as a consequence of the non-extension of the contractual adjustment mechanism for certain advance service prices at the end of 2018, the change in trade liabilities, in income tax liabilities and in the accounts due from and to associated companies as well as the change in the contract assets values led to outflows of cash.

Cash flow from investments shows total net outgoing payments of €5.3 million during the reporting period (previous year: outgoing payments of €12.7 million). Payments of €5.3 million and payments received of €0.2 million were realised for investments in tangible and intangible assets (previous year: payments of €5.1 million and payments received of €0.7 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 before capital gains tax payments less investments in intangible and tangible assets plus inflow of funds from disposals of intangible and tangible assets, amounted to €81.1 million in the first half of 2019 (previous year: €40.1 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.

The decisive elements for the cash flow from the financing sector in the first half of 2019 were primarily outflows for the repayment of loans in the amount of €32.0 million to, and the short-term investment of free cash in the amount of €9.0 million in, United Internet (previous year: outflow and inflow of €100 million each from the short-term investment of free cash as well as inflows of €+200 million from the utilisation of a loan from, and outflow of €-93 million for loan repayment to, United Internet), the disbursement of dividends in the amount of €8.8 million in May (previous year: €282.8 million) and outflows from the acquisition of own stock in the amount of €3.8 million (previous year: €0.0). Outflows in the amount of €5.0 million (previous year: €0.0) and of €2.3 million (previous year: €0.3 million) resulted from the repayment of liabilities from rights of use and finance lease liabilities, respectively.

Cash and cash equivalents per 30 June 2019 amounted to €5.0 million in comparison with €4.0 million per 31 December 2018.

Assets and liabilities

The balance sheet total declined marginally from €5,246.6 million per 31 December 2018 to €5,223.4 million per 30 June 2019.

Short-term assets rose slight from €1,064.6 million per 31 December 2018 to €1,073.0 million per 30 June 2019. The cash holdings disclosed in the short-term assets increased from €4.0 million to €5.0 million. Trade accounts receivable increased from €230.2 million per 31 December 2018 to €238.3 million per 30 June 2019. Accounts due from associated companies declined from €41.9 million per 31 December 2018 to €14.4 million per 30 June 2019.

Prepaid expenses increased from €42.6 million to €48.8 million and concern essentially prepaid utilisation fees that will not be recognised through expenditures until later periods. The line item contract assets rose accordingly by €60.3 million from €414.9 million per 31 December 2018 to €475.2 million per 30 June 2019 and includes short-term receivables from customers 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 and costs of contract fulfilment during the term of the contracts and declined as a total by €1.8 million from €157.2 million per 31 December 2018 to €155.4 million per 30 June 2019.

Other financial assets declined from €45.5 million per 31 December 2018 to €34.0 million per 30 June 2019. The other non-financial assets fell from €38.8 million to €11.3 million and concern primarily income and value-added tax claims.

Long-term assets declined in total from €4,182.1 million per 31 December 2018 to €4,150.4 million per 30 June 2019. Intangible assets were reduced as planned from €746.8 million per 31 December 2018 to €675.3 million per 30 June 2019 and include primarily the assets determined as part of the Drillisch purchase price allocation less the related write-offs. Tangible assets rose by €23.9 million from €14.3 million per 31 December 2018 to €38.2 million per 30 June 2019. The increase in the amount of €24.5 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 €203.2 million per 30 June 2019 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 €5.0 million from €304.3 million per 31 December 2018 to €299.3 million per 30 June 2019.

Short-term debts decreased in total from €646.9 million per 31 December 2018 to €448.1 million per 30 June 2019. Short-term trade accounts payable decreased by €94.1 million to €271.1 million (31 December 2018: €365.2 million). Accounts due to associated companies declined from €129.3 million per 31 December 2018 to €39.8 million per 30 June 2019 and 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.

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 €10.9 million per 30 June 2019.

Long-term debts rose from €319.6 million per 31 December 2018 to €326.6 million per 30 June 2019. The fundamental cause for this is especially the increase in Other financial liabilities from €0.1 million per 31 December 2018 to €20.9 million per 30 June 2019. This increase is a consequence of the initial application of IFRS 16. In contrast, deferred tax liabilities in the amount of €247.9 million per 31 December 2018 declined by €14.4 million to €233.5 million per 30 June 2019. The contract liabilities in the amount of €4.5 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 €4,448.7 million per 30 June 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 represents the share capital of 1&1 Drillisch AG. As of the balance sheet closing date 30 June 2019, a total of 500,000 1&1 Drillisch AG shares had been acquired as part of the stock repurchase programme. Per 30 June 2019, the number of shares outstanding declined to 176,264,649 shares. The balancing of the consolidated profit per 30 June 2019 of €178.9 million and the dividend disbursement of €8.8 million in May 2019 lead to an increase of the cumulative consolidated profit of €170.1 million. The equity ratio rose accordingly from 81.6% per 31 December 2018 to 85.2% per 30 June 2019.

General statement from the Management Board regarding the economic position

1&1 Drillisch invested heavily in new customer relationships and the retention of current customers in HY1 2019. The result was a total increase of 0.38 million contracts in the number of customer contracts subject to charge during the reporting period. The number of mobile internet contracts rose by 0.38 million from 9.20 million per 31 December 2018 to 9.58 million. The number of contracts for broadband lines remained at a constant level of 4.34 million subscriber contracts in comparison with the end of fiscal year 2018.

The achievement of this growth in the number of subscribers and the good development of service revenues along with the sharp increase in the EBITDA adjusted for the additional costs resulting from the expired contractual adjustment mechanism for certain advance service prices demonstrate that 1&1 Drillisch continued its dynamic development in HY1 2019 and, in doing so, laid the foundation for future growth.

This successful corporate development documents once again the advantages of the 1&1 Drillisch business model that is primarily based on electronic subscriptions with fixed monthly charges and contractually fixed terms. This ensures stable and plannable revenues and cash flows, provides protection from economic fluctuations and opens up financial manoeuvring room for the exploitation of opportunities in current and new business fields and markets, whether organically or through participating interests and acquisitions.

The Company's Management Board views the figures for customer contracts, revenues and profit as well as for the investments made in new and current customers realised during the HY1 2019 as confirmation that the Company is staying solidly on course overall and is well positioned for continued corporate development.

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.

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 risks and opportunities situation in HY1 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 semi-annual financial report.

Just as before, positive contributions to results are expected from an initial price adjustment procedure that has been conducted with an advance services provider since September 2017. The Management Board assumes that the appointed arbitrators will reach a binding decision on the matter in October of this year and that the decision will result in retroactively lower prices for advance services. Moreover, 1&1 Drillisch and the pertinent advance services provider have agreed that three further price adjustment procedures initiated in the interim by 1&1 Drillisch should also be decided by an arbitrator.

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

This report contains certain statements oriented to the future which are based on the current assumptions and projections of the Company's management. Various risks, uncertainties and other factors, both known and unknown, can cause the actual results, financial position, development or performance of the Company to deviate substantially from the assessment shown here.

After the expiration of the first half of 2019, the International Monetary Fund (IMF) reduced as a whole its growth projection for the world economy in the years 2019 and 2020 in its World Economic Outlook, Update July 2019. The projections were also revised for Germany a number of times during the year.

Economic Projection – Economic Development in Percent

	2020e	2019e	2018
World	3.5	3.2	3.7
Germany	1.7	0.7	1.5

Source: International Monetary Fund, World Economic Outlook (Update), July 2019

Industry/market expectations

The industry association Bitkom expects growth on the German ITC market of 1.5% (previous year: +2.0%) to €168.5 billion in 2019.

The information technology market is expected once again to post the greatest increase in 2019, growing by 2.5% (previous year +3.1%) to €92.2 billion. The greatest growth by far will presumably once again be the software segment, which is predicted to increase by 6.3% (previous year +6.3%) to €26.0 billion. The sector IT services, which encompasses project business and IT consulting, for instance, will probably again post a plus of 2.3% (previous year +2.3%) to €40.8 billion. In contrast, a minus of 0.7% (previous year +1.5%) to €25.4 billion is projected for the IT hardware segment.

Further growth is also expected for the telecommunications market. Revenues are projected to rise by 1.1% (previous year: +1.6%) to €67.3 billion. TC devices are expected to increase by 2.0% (previous year: +5.9%) to €11.0 billion. Business with telecommunications infrastructure is projected to grow by 1.6% (previous year: +1.3%) to €7.1 billion. A plus of 0.8% (previous year: +0.7%) to €49.2 billion is expected for telecommunications services.

In particular, the German broadband and mobile internet market in the business unit “Access”, financed primarily by subscriptions, is of special importance to 1&1 Drillisch.

(Landline) broadband market in Germany

In view of the comparatively high household coverage at present and the trend to mobile internet use, experts expect growth to remain only moderate on the German (landline-based) broadband market.

According to the most recent survey in the study “German Entertainment and Media Outlook 2017–2021” (October 2017), PricewaterhouseCoopers expects an increase in end customer revenues realised from landline-based broadband connections of no more than 0.5% (previous year +1.1%) to €8.19 billion for 2019.

Market forecast: broadband access (landline) in Germany (in € billion)

	2019e	2018	Change
Revenues	8.19	8.15	+ 0.5%

Source: PricewaterhouseCoopers, German Entertainment and Media Outlook 2017–2021, October 2017

Mobile internet market in Germany

In contrast, all experts are predicting that growth on the mobile internet market will remain substantial. Following market growth by 5.8% to €8.22 billion in 2018, PricewaterhouseCoopers is projecting growth in 2019 as well of 6.1% (previous year: 5.8%) to €8.72 billion for mobile data services.

Market forecast: mobile internet (mobile services) in Germany (in € billion)

	2019e	2018	Change
Revenues	8.72	8.22	+ 6.1%

Source: PricewaterhouseCoopers, German Entertainment and Media Outlook 2017–2021, October 2017

Forecast for fiscal year 2019

The management board is expecting the number of customers to continue to grow throughout all of 2019. Owing to the increased demand on the part of current customers for LTE mobile rate plans, the management board is restating the revenue forecast in that 1&1 Drillisch now expects an increase by about 3% instead of growth of about 4% in the service revenue for 2019 (2018: €2,882.3 million). Owing to the advantageous LTE procurement model, this restatement does not have any negative impact on profitability. On the contrary, a negative regulatory effect of about €10 million (increase in subscriber connection line charges from July 2019) and initial costs of about €5 million related to the planning and preparations of the 5G mobile services network have been newly incorporated into the EBITDA projection. The Management Board currently expects EBITDA to grow by about 8% in 2019 instead of increasing by about 10% (2018: €721.9 million). After the conclusion of the aforementioned assessment arbitration, the Management Board plans to issue an even more concrete forecast for the EBITDA.

General statement from the Management Board on presumable development

The 1&1 Drillisch AG Management Board remains optimistic in its outlook for the future. Thanks to a business model that is based for the most part on electronic subscriptions, 1&1 Drillisch views its position as by and large stable and secure from economic fluctuations.

Marketing and sales will focus in particular on the marketing of mobile internet products during HY2 2019. 1&1 Drillisch intends to claim its share of market growth and continue to grow. The Company wants to maintain its good market position in the sector of broadband products.

Major accounting, valuation and consolidation principles

The semi-annual finance report from 1&1 Drillisch AG per 30 June 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 accounting and valuation principles applied in the semi-annual finance report 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.

Future-oriented statements and forecasts

This semi-annual financial report 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 semi-annual finance report.

Application of assumptions and estimates

During preparation of the semi-annual finance report, 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

Additional financial performance indicators such as EBITDA, EBITDA margin, EBIT or EBIT margin 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 were acquired or sold during the reporting period 2019.

The semi-annual finance report has not been audited pursuant to Section 317 HGB [German Commercial Code] or subjected to a review by an independent accountant.

Important events occurring after 30 June 2019

No important events occurred after the balance sheet date.

Maintal, 15 August 2019

The Management Board

Ralph Dommermuth André Driesen Markus Huhn Alessandro Nava

INTERIM FINANCIAL STATEMENT FOR THE FIRST SIX MONTHS OF 2019

CONSOLIDATED BALANCE SHEET

Per 30 June 2019

	30/06/2019 €k	31/12/2018 €k
ASSETS		
Short-term assets		
Cash and cash equivalents	4,955	3,968
Trade accounts receivable	238,278	230,224
Receivables due from associated companies	14,407	41,879
Inventories	90,702	89,548
Contract assets	475,241	414,925
Costs of obtaining contracts	86,288	83,484
Costs of fulfilling contracts	69,054	73,686
Prepaid expenses	48,823	42,551
Other financial assets	33,961	45,513
Other non-financial assets	11,275	38,806
	1,072,984	**1,064,584**
Long-term assets		
Other financial assets	1,565	1,408
Tangible assets	38,158	14,259
Intangible assets	675,264	746,816
Goodwill	2,932,943	2,932,943
Contract assets	164,460	166,105
Costs of obtaining contracts	84,434	84,501
Costs of fulfilling contracts	50,438	53,690
Prepaid expenses	203,154	182,334
	4,150,416	**4,182,056**
TOTAL ASSETS	**5,223,400**	**5,246,640**

	30/06/2019 €k	31/12/2018 €k
LIABILITIES AND EQUITY		
Short-term liabilities		
Trade accounts payable	271,113	365,202
Liabilities due to associated companies	39,786	129,333
Contract liabilities	40,844	46,106*
Other provisions	5,005	8,766
Other financial liabilities	44,372	39,530
Other non-financial liabilities	36,149	20,002
Income tax liabilities	10,853	37,985
	448,122	**646,924**
Long-term liabilities		
Contract liabilities	4,453	4,543
Other provisions	67,731	67,090
Other financial liabilities	20,913	128
Deferred tax liabilities	233,520	247,880
	326,617	**319,641**
TOTAL LIABILITIES	**774,739**	**966,565**
Equity		
Share capital	193,891	194,000
Capital reserves	2,432,110	2,433,531
Cumulative consolidated results	1,823,364	1,653,248
Other equity	-704	-704
TOTAL EQUITY	**4,448,661**	**4,280,075**
TOTAL LIABILITIES AND EQUITY	**5,223,400**	**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 30 June 2019

	2019 January – June €k	2018* January – June €k
Sales	1,825,601	1,818,990
Cost of sales	-1,282,508	-1,291,311
GROSS PROFIT FROM REVENUES	**543,093**	**527,679**
Distribution costs	-209,191	-204,113
Administration costs	-50,170	-46,082
Other operating expenses/income	14,927	17,400
Impairment losses from receivables and contract assets	-37,566	-32,213
RESULTS FROM OPERATING ACTIVITIES	**261,093**	**262,671**
Financing expenses	-5,371	-468
Financial income	231	274
PROFIT BEFORE TAXES	**255,953**	**262,477**
Tax expenses	-77,023	-83,218
CONSOLIDATED PROFIT	**178,930**	**179,259**
Profit per share (in €)		
- undiluted	1.01	1.01
- diluted	1.01	1.01
Weighted average number of shares outstanding (in millions)		
- undiluted	176.68	176.76
- diluted	176.68	176.76
Rollover to total consolidated results		
CONSOLIDATED PROFIT	**178,930**	**179,259**
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	**178,930**	**179,259**

* The consolidated comprehensive income statement January to June 2018 has been restated for better comparability.

CONSOLIDATED CASH FLOW STATEMENT

from 1 January to 30 June 2019

	2019 January – June €k	2018* January – June €k
RESULTS FROM OPERATING ACTIVITIES		
Consolidated profit	178,930	179,259
Allowances for rollover of consolidated results to incoming and outgoing payments		
Depreciation on intangible and tangible assets	15,700	13,748
Depreciation on assets capitalised within the framework of corporate acquisitions	63,636	63,636
Personnel expenses from employee stock ownership programmes	2,313	0
Changes in the adjustment items for deferred tax assets	-14,360	-7,835
Correction profits/losses from the sale of tangible assets	5	48
Other items not affecting payments	0	44
CASH FLOW FROM OPERATING ACTIVITIES	**246,224**	**248,900**
Changes in assets and liabilities		
Change in receivables and other assets	31,011	2,034
Change in contract assets	-58,671	-135,705
Change in inventories	-1,154	-64,737
Change in costs of obtaining and fulfilling contracts	5,147	-16,190
Change in deferred expenditures	-27,093	-69,063
Change in trade accounts payable	-94,089	22,580
Change in other provisions	-3,120	-15,111
Change in income tax liabilities	-8,210	54,572
Change in other liabilities	22,517	15,270
Change in receivables due from/liabilities due to associated companies	-21,057	9,829
Change in contract liabilities	-5,353	-7,808
Changes in assets and liabilities, total	**-160,072**	**-204,329**
Net inflow of funds from operating activities (before capital gains tax payments)	**86,152**	**44,571**
Capital gains tax payment	**-18,922**	**0**
Net inflow of funds from operating activities	**67,230**	**44,571**

* The consolidated capital flow statement January to June 2018 has been restated for better comparability.

	2019 January – June €k	2018* January – June €k
CASH FLOW FROM INVESTMENTS		
Investments in intangible and tangible assets	-5,284	-5,144
Inflow of funds from disposal of intangible and tangible assets	184	692
Investments in other financial assets	-159	0
Reimbursements from other financial assets	2	3
Outflow of funds from disposal of financial assets or from deconsolidation	0	-8,300
Net outflow of funds in investment sector	**-5,257**	**-12,749**
CASH FLOW FROM FINANCING SECTOR		
Acquisition of treasury stock	-3,844	0
Dividend payment	-8,813	-282,823
Repayment of liabilities from rights of use	-5,000	0
Repayment of finance leasing liabilities	-2,329	-262
Outflow of funds for the grant of loans to associated companies	-9,000	0
Inflow of funds from loans received from associated companies	0	200,000
Outflow of funds to associated companies in repayment of loans	-32,000	-93,000
Net outflow of funds in financing sector	**-60,986**	**-176,085**
Net increase/decline in cash and cash equivalents	987	-144,263
Cash and cash equivalents at beginning of fiscal year	3,968	149,681
Cash and cash equivalents at end of reporting period	**4,955**	**5,418**

* The consolidated capital flow statement January to June 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
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	372,716	0	372,716
Per 1 January 2018	**176,764,649**	**194,441**	**2,447,085**	**1,536,270**	**0**	**4,177,796**
Consolidated profit		0	0	179,259	0	179,259
Total results		**0**	**0**	**179,259**	**0**	**179,259**
Dividend payments		0	0	-282,823	0	-282,823
Per 30 June 2018	**176,764,649**	**194,441**	**2,447,085**	**1,432,706**	**0**	**4,074,232**
Per 1 January 2019	**176,363,945**	**194,000**	**2,433,531**	**1,653,248**	**-704**	**4,280,075**
Consolidated profit		0	0	178,930	0	178,930
Total results		**0**	**0**	**178,930**	**0**	**178,930**
Dividend payments		0	0	-8,813	0	-8,813
Employee stock ownership programme		0	2,313	0	0	2,313
Acquisition of own shares	-99,296	-109	-3,734	0	0	-3,844
PER 30 JUNE 2019	**176,264,649**	**193,891**	**2,432,110**	**1,823,364**	**-704**	**4,448,661**

EXPLANATORY COMMENTS ON THE INTERIM FINANCIAL STATEMENTS

1. General information about the Company and the financial statements

1&1 Drillisch Group, together with 1&1 Drillisch Aktiengesellschaft, Maintal, the listed parent company (hereinafter also: “1&1 Drillisch AG” or “Company” 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). In addition, 1&1 Drillisch uses capacities from Vodafone. 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 as the parent company of the Group is Wilhelm-Röntgen-Strasse 1–5, 63477 Maintal, Federal Republic of Germany. The Company is registered at Hanau Local Court under HRB 7384.

1&1 Drillisch AG is included in the consolidated interim financial statements of United Internet AG, Montabaur.

2. Major accounting, valuation and consolidation principles

The interim report from 1&1 Drillisch AG per 30 June 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 abbreviated consolidated interim financial statements for the period from 1 January 2019 to 30 June 2019 were prepared in accordance with IAS 34 “Interim Financial Reporting”.

The reporting scope chosen for the presentation of these consolidated interim financial statements is abbreviated in comparison with the consolidated annual financial statements and should therefore be read in association with the consolidated annual financial statements per 31 December 2018. The accounting and valuation methods applied in the abbreviated consolidated interim financial statements are the same as the methods used in the previous year with the exception of the standards whose application has in the interim become mandatory; they are briefly designated below.

2.1 Mandatory application of new accounting standards

The application of the following standards became mandatory in the EU for the first time for fiscal years beginning on or after 1 January 2019:

Standard		**Mandatory application for fiscal years beginning as of**	**Adoption by EU Commission**
IFRS 9	Change: Prepayment regulation with negative compensation payment	01/01/2019	Yes
IAS 12, IAS 28, IFRS 3	Annual revision procedures 2015-2017	01/01/2019	Yes
IFRS 16	Leases	01/01/2019	Yes
IFRIC 23	Uncertainty over Income Tax Treatments	01/01/2019	Yes
IAS 19	Change: plan modifications, curtailment or settlement	01/01/2019	Yes

IFRS 16 was published in January 2016 and supersedes “IAS 17 Leases”, “IFRIC 4 Determining Whether an Arrangement Contains a Lease”, “SIC 15 Operating Leases – Incentives” and “SCI 27 Evaluating the Substance of Transactions in the Legal Form of a Lease”. IFRS 16 sets the principles for the recognition and measurement, presentation and disclosure of leases and obligates the lessee to show all leases in the balance sheet in the future. Accordingly, an asset that represents the right to the use of the underlying asset (right of use) is capitalised for the duration of the lease. Simultaneously, a liability in the amount of the future lease instalments, reduced by the interest share (i.e. the lease liability), is recognised in the liabilities. In the following period, there is a restatement through expenses of the lease liability because of interest and a restatement of the right of use relating to write-offs.

The lessee is also obligated to reassess the lease liability if certain events occur (e.g. change in the term of the lease, change in the future lease payments because of the change of an index or a rate that is used to measure the liabilities or payments). As a rule, the lessee will recognise the amount of the reassessment of the lease liability as a restatement of the right of use.

The standard provides two exceptions from accounting in accordance with IFRS 16 – leasing of low-value assets (e.g. PCs) and short-term leases (e.g. leases with a term of 12 months or less). IFRS 16 applies for the first time to fiscal years beginning on or after 1 January 2019.

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

1&1 Drillisch has decided to use the modified retrospective initial application method. The use of the modified retrospective application results in the cumulative effect from the measurement of the leases being recognised as a one-time adjustment in the opening balance sheet at the point in time of the initial application of IFRS 16, i.e. per 1 January 2019. Furthermore, the option to recognise the asset for the granted right of use at the value of the related lease liability at the time of initial application is exercised.

The Group exercises the exemption provided in the standard for leases with a term that expires within 12 months from the point in time of the initial application and the exemption for leases for which the underlying asset is of low value. In determining the term of leases, more accurate information is in part taken into account retroactively if and when this leads to a better assessment for the exercise of renewal or termination options.

The application of the new regulation led to an increase in assets (rights of use) and simultaneously to an increase in finance 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.

The rights of use and lease liabilities have not been disclosed separately in the balance sheet. The following rights of use were identified and recognised per 01/01/2019:

	Book value per 01/01/2019 €k
Tangible assets	
Right-of-use assets	
- Land and buildings	25,166
- Fixtures, fittings and equipment	1,689
Total right-of-use assets	**26,855**
Other financial liabilities	
Lease liabilities	
Short-term leases	4,467
- of which from finance leases pursuant to IAS 17	267
Long-term leases	22,388
Total lease liabilities	**26,855**

The rollover of the operating lease obligations per 31 December 2018 (additional information: Number 54 in the Annual Report 2018 "Information regarding leases, other financial obligations, contingent liabilities and contingent debts"), discounted at the appropriate incremental borrowing rates of interest and the opening balance sheet value of the lease liabilities per 1 January 2019, is determined as follows:

	01/01/2019 €k
Operating lease: minimum lease payments (nominal) total 31/12/2018	23,888
Liabilities from finance leases pursuant to IAS 17 – 31/12/2018	267
Changes resulting from redefinition of leases	-287
plus term extension (beyond minimum term)	4,448
less discounting effect	-1,461
Finance liabilities IFRS 16 – 01/01/2019	**26,855**

The changes resulting from the redefinition of leases relate to the simplified applications for short-term leases and leases for low-value assets.

The incremental borrowing rate of interest is applied for measurement of the rights of use and lease liabilities. The incremental borrowing rate of interest is derived from reference interest rates for a period of up to 15 years from risk-free interest rates appropriate to the term, increased by credit risk surcharges and adjusted by a liquidity and country risk premium.

The discounting per 1 January 2019 applied the weighted average incremental borrowing rate of interest of 1%.

The effects on the profit and loss statement from January to June 2019 are presented below:

	IFRS 16 H1 2019 €k
Write-offs on rights of use	
Land and buildings	1,506
Fixtures, fittings and equipment	628
Total write-offs on rights of use	**2,134**
Interest expenses from leases	**125**
Expenses for short-term leases	**91**
Expenses for leases for a low-value asset	**5**

During the reporting period, the outflow of funds in the amount of €2,454k was related to lease liabilities.

The following book values of the rights of use according to the classes of the underlying assets resulted per 30/06/2019:

	Book value per 30/06/2019 €k
Land and buildings	23,660
Fixtures, fittings and equipment	794

Lease liabilities existing per 30/06/2019 have the following terms:

	30/06/2019 €k
Up to 1 year	3,615
1 to 5 years	10,308
More than 5 years	10,603
Total	**24,526**

There were no significant effects for these financial statements as a result of the other changes in IFRS.

2.2 Application of assumptions and estimates

During preparation of the abbreviated consolidated interim financial statements, 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 debts. The uncertainty related to these assumptions and estimates may, however, lead to results that in future require substantial restatements in the book value of the relevant assets or liabilities.

With respect to the determination of the term of leases in accordance with IFRS 16, the assumption was made to take into account the exercise of extension or termination options.

2.3 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 were acquired or sold during the reporting period 2019.

These consolidated interim financial statements have not been audited pursuant to Section 317 HGB [German Commercial Code] or subjected to a review by an independent accountant.

Explanatory comments on comprehensive income statement

3. Sales revenues/Segment reporting

Pursuant to IFRS 8, the identification of reporting operating segments is based on the so-called management approach. External reports are prepared on the basis of the internal organisational and management structure of the Group and of the internal financial reporting to the chief operating decision-maker. In 1&1 Drillisch Group, the Management Board of 1&1 Drillisch AG is responsible for the assessment and management of the segments' business success.

In future, company management and group reporting will encompass the segments "Access", "5G" and "Miscellaneous" (previously 2 reporting segments: "Access" and "Miscellaneous").

In the segment “Access”, revenues are generated from the offered access services to telecommunication networks, one-time provision fees and the sale of devices and accessories. Revenues include monthly service fees, charges for special features and connection and roaming charges. Revenues are realised on the basis of utilisation units actually used and contract fees less any credit notes and restatements pursuant to reduced prices. The revenues from the sale of hardware and accessories and the related expenditures are realised as soon as the products have been delivered and accepted by the customers.

The monitoring of goodwill in the amount of €2,932,943k (previous year: €2,932,943k) is the responsibility of the CODM at the level of the reporting segment “Access”.

The expenses and income relating to the preparation and conduct of the 5G frequency auction and resulting from the establishment, expansion and operation of the Company’s own 5G network will be disclosed in the segment “5G”.

In the segment “Miscellaneous”, revenues are generated from the offering of custom software solutions, maintenance and support services and (to a slight extent) the offering of mobile services. Revenues from software solutions and revenues from maintenance and support services are based on contract provisions. Revenue and the related expenditures are realised as soon as the aforementioned services have been performed and accepted by the customer.

Management by the 1&1 Drillisch AG Management Board is based primarily on performance indicators. The 1&1 Drillisch AG Management Board measures the success of the segment “Access” primarily in terms of sales, of the gross profit based on segment cost of materials, the number of subscribers and the adjusted earnings before interest, taxes and depreciation and amortisation (adjusted EBITDA) determined on the basis of IFRS accounting methods (IFRS as they are to be applied in the EU). The segment cost of materials is determined by application of the cost summary method. At this time, the distribution commissions and the costs of obtaining contracts pursuant to IFRS 15 are disclosed under segment cost of materials or purchased services. Transactions between the segments are charged at market prices.

Development of Access contracts in reporting period 2019 (in millions)

	30/06/2019	30/06/2018
Access, total contracts	**13.92**	**13.04**

The segment reporting of 1&1 Drillisch for the reporting period from 1 January to 30 June 2019 is presented below:

	Access €k	5G €k	Miscella-neous €k	Consolidation €k	Total €k
Revenues with third parties	1,825,537	0	64	0	1,825,601
Intercompany revenues	1	0	6,370	-6,371	0
Segment revenues	**1,825,538**	**0**	**6,434**	**-6,371**	**1,825,601**
Cost of materials external third parties	-1,234,542	0	-12	0	-1,234,554
Cost of materials from intercompany relationships	0	0	-4	4	0
Cost of materials for segment	**-1,234,542**	**0**	**-16**	**4**	**-1,234,554**
Gross profit for segment	**590,996**	**0**	**6,418**	**-6,367**	**591,047**
Segment EBITDA	**342,785**	**-833**	**1,330**	**-2,853**	**340,429**

The segment sales revenues also include certain revenues between the segments, but do not include internal allocations and costs allocated within the Group. All revenues were realised in Germany.

The segment reporting of 1&1 Drillisch for the reporting period from 1 January to 30 June 2018 is presented below:

	Access €k	Miscella-neous €k	Consolidation €k	Total €k
Revenues with third parties	1,818,820	170	0	1,818,990
Intercompany revenues	0	5,597	-5,597	0
Segment revenues	**1,818,820**	**5,767**	**-5,597**	**1,818,990**
Cost of materials external third parties	-1,241,736	-12	0	-1,241,748
Cost of materials from intercompany relationships	0	-6	6	0
Cost of materials for segment	**-1,241,736**	**-18**	**6**	**-1,241,748**
Gross profit for segment	**577,084**	**5,749**	**-5,591**	**577,242**
Segment EBITDA	**339,870**	**1,440**	**-1,255**	**340,055**

The rollover of the total of the segment profits (EBITDA) with the profit before taxes on income is determined as shown below:

	January – June 2019 €k	January – June 2018 €k
Total segment profits (EBITDA)	340,429	340,055
Amortisation and depreciation	-79,336	-77,384
Operating results	**261,093**	**262,671**
Financial results	-5,140	-194
Profit before taxes on income	**255,953**	**262,477**

The customer structure during the reporting period did not reveal any significant concentration on individual customers. There are no customers in 1&1 Drillisch Group with whom more than 10% of the total external sales revenues are generated.

Additional information on sales revenues

Group sales revenues break down as shown below:

	January – June 2019 €m	January – June 2018 €m
Service revenues	1,471.1	1,423.3
Hardware and Other revenues	354.5	395.7
Total	**1,825.6**	**1,819.0**

4. Personnel expenses

Personnel expenses for the reporting period 2019 amounted to €94,988k (previous year: €88,584k). At the end of June 2019, 1&1 Drillisch employed a workforce of 3,108 (previous year: 3,145).

5. Write-offs

Amortisation of intangible assets and depreciation on tangible assets amounted to €15,700k (previous year: €13,748k).

Depreciation and amortisation of assets capitalised in relation to company acquisitions amounted to €63,636k (previous year: €63,636k).

Total amortisation of intangible assets and depreciation on tangible assets during the reporting period 2019 amounted to €79,336k (previous year: €77,384k).

6. Impairment losses from receivables and contract assets

The impairment losses from receivables and contract assets comprise €24,301k (previous year: €20,237k) from trade receivables and €13,265k (previous year: 11,976k) from contract assets.

The losses in receivables from the previous year are presented separately in these financial statements because of the changes in requirements of IAS 1. In the half-year report 2018, they were disclosed under other operating expenses.

Explanatory comments on the consolidated balance sheet

Explanatory comments are provided solely on the items that display noteworthy differences to the amounts disclosed in the consolidated annual financial statements of 31 December 2018.

7. Receivables due from associated companies

Receivables due from associated companies in the amount of €14,407k (31 December 2018: €41,879k) are related to accounts receivable from member companies of United Internet Group that are not included in the 1&1 Drillisch Group's consolidated financial statements.

8. Tangible and intangible assets

Tangible assets rose by €23,898k from €14,259k per 31 December 2018 to €38,158k per 30 June 2019. The increase in the amount of €24,454k is a consequence of the initial application of IFRS 16.

Intangible assets declined as planned from €746,816k per 31 December 2018 to €675,264k per 30 June 2019 and include primarily the assets determined as part of the Drillisch purchase price allocation less the related write-offs.

9. Other short-term financial assets

Other short-term financial assets declined from €45,513k per 31 December 2018 to €33,961k per 30 June 2019 and related primarily to receivables due from promotion rebates.

10. Long-term deferred expenses

The long-term deferred expenses result essentially from advance payments made in relation to long-term purchasing agreements and amount to €203,154k per 30 June 2019 (31 December 2018: €182,334k).

11. Short-term liabilities due to associated companies

Short-term liabilities due to associated companies per 30 June 2019 amount to €39,786k (31 December 2018: €129,333k) and are related to liabilities due to member companies of United Internet Group that are not included in the 1&1 Drillisch Group's consolidated financial statements resulting from advance service procurement and other cost allocations.

12. Short-term contract liabilities

Short-term contract liabilities comprise deferred income of €19,657k (31 December 2018: €21,614k), payments received on account of €6,965k (31 December 2018: €6,977k) and contract obligations relating to IFRS 15 of €14,222k (31 December 2018: €17,515k).

Deferred income and payments received on account were still disclosed separately per 31 December 2018.

13. Other long-term financial liabilities

Other long-term financial liabilities increased from €128k per 31 December 2018 to €20,913k per 30 June 2019 and result essentially from the initial application of IFRS 16.

14. Share capital/Own shares

The fully paidin share capital amounted per 30 June 2019, just as per 31 December 2018, to €194,441,113.90, distributed in 176,764,649 no-par shares issued to the bearer with a proportionate share in the share capital of €1.10. Per the closing date of 30 June 2019, the Company held 500,000 shares of its own stock.

15. Employee stock ownership models

Stock appreciation rights (SAR)

An older employee stock ownership model, the so-called stock appreciation rights (SAR) programme, is aimed at executives and executive employees of many years' standing and is based on virtual share options of United Internet AG. Income from stock appreciation rights (SAR) amounted to €208k in the first half of 2019.

Stock appreciation rights Drillisch (SAR Drillisch)

A second employee stock ownership model, the stock appreciation rights Drillisch (SAR Drillisch), which was implemented in the first half of 2018, is aimed at newer executives and employees in key positions of Group and is based on virtual stock options of 1&1 Drillisch AG.

Expenses from the stock appreciation rights Drillisch (SAR Drillisch) amounted to €2,313k in the first half of 2019.

16. Additional disclosures about the financial instruments

The table below presents the book value of each category of financial assets and liabilities per 30 June 2019:

	Measurement category per IFRS 9	Book value per 30/06/2019 €k	Amortised costs €k
Financial assets			
Cash and cash equivalents	ac	4,955	4,955
Trade accounts receivable	ac	238,278	238,278
Receivables due from associated companies	ac	14,407	14,407
Other short-term financial assets	ac	33,961	33,961
Other long-term financial assets			
- Participating interests	fvoci	748	
- Miscellaneous	ac	817	817
Financial liabilities			
Trade accounts payable	ac	-271,113	-271,113
Liabilities due to associated companies	ac	-39,786	-39,786
Other financial liabilities	ac/n/a		
- Lease obligations	n/a	-24,526	
- Miscellaneous	ac	-40,759	-40,759
of which aggregated per classification categories:			
Financial assets at amortised cost	ac	292,418	292,418
Financial assets at fair value through other comprehensive income without recycling to profit and loss	fvoci	748	
Financial assets at fair value through profit or loss	fvtpl		
Financial liabilities at amortised cost	ac	-351,658	-351,658
Financial liabilities at fair value through profit or loss	fvtpl		
Lease obligations	n/a	-24,526	

	Fair value through other comprehensive income without recycling to profit and loss €k	Fair value through other comprehensive income with recycling to profit and loss €k	Fair value through profit or loss €k	Valuation according to IFRS 16 €k	Fair Value per 30/06/2019 €k
					4,955
					238,278
					14,407
					33,961
	748				748
					817
					-271,113
					-39,786
				-24,526	-24,526
					-40,759
					292,418
	748				748
					-351,658
				-24,526	-24,526

Cash and cash equivalents, trade accounts receivable, receivables due from associated companies and other short-term financial assets have short remaining terms. Their book values on the closing date are consequently close to fair value.

Participations are disclosed at fair value. It is assumed for the remaining other long-term assets, which are disclosed in the balance sheet at amortised cost, that their carrying value is equivalent to fair value.

Trade accounts payable and liabilities due to associated companies have short remaining terms; the disclosed values represent approximately the fair values.

It is assumed for the remaining other long-term liabilities, which are disclosed in the balance sheet at amortised cost, that their book value is equivalent to fair value.

17. Relations to related persons and companies

Pursuant to IAS 24, persons and companies are regarded as related parties if one of the parties has the possibility to control the other party or to exercise a significant influence. Related companies and persons of the Group include Management and Supervisory Boards of 1&1 Drillisch AG and the member companies of United Internet Group that are not included in the consolidation of 1&1 Drillisch Group. Moreover, participations on which the Group companies can exercise significant influence (associated companies) are classified as related parties. In addition, Mr Ralph Dommermuth as the principal shareholder of United Internet AG is classified as a related party (and the ultimate controlling company within the sense of IAS 24.13).

The group of related persons and companies remained unchanged in comparison with the consolidated annual financial statements per 31 December 2018.

Per 30 June 2019, Management Board members held the following shares in 1&1 Drillisch AG. United Internet AG, Montabaur, held 73.29% of the stock in 1&1 Drillisch AG per the closing date 30 June 2019. Per 30 June 2019, Mr Ralph Dommermuth in turn indirectly held 41% of the share capital (as reduced by own shares) of United Internet AG through holding companies.

Supervisory Board members held the following shares in 1&1 Drillisch AG per 30 June 2019: Supervisory Board member Vlasios Choulidis, 273,333 no-par shares (of which 65,000 shares via MV Beteiligungs GmbH) totalling 0.16% of the stock of 1&1 Drillisch AG.

Of the disclosed sales revenues, €14,278k (previous year: €14,187k) was realised during the reporting period with member companies of United Internet Group that are not members of the consolidation of 1&1 Drillisch Group.

The expenditures in the reporting period of €81,189k (previous year: €87,410k) include expenditures with member companies of United Internet Group that are not members of the consolidation of 1&1 Drillisch Group.

The business premises of 1&1 Drillisch in Montabaur and Karlsruhe are leased to 1&1 Drillisch by 1&1 IONOS SE, a member company of United Internet Group. 1&1 IONOS SE has leased these premises in part from Mr Ralph Dommermuth. The resulting payment commitments are allocated proportionately to 1&1 Drillisch and are at a level usual in the area. The resulting payment commitments incurred during the reporting period amounted to €3,263k (previous year: €3,540k).

The company VPM Immobilien Verwaltungs GmbH, Maintal (one-third of which is held by Mr Vlasios Choulidis, Supervisory Board member of 1&1 Drillisch AG) has leased office space in Maintal to 1&1 Drillisch. The lease runs until 31 December 2020. Payment commitments during the reporting period came to €89k (previous year: €89k).

18. Other financial obligations / purchase commitment

In its capacity as a wholly-owned subsidiary of 1&1 Drillisch, Drillisch Netz AG participated in the 5G auction that ended on 12 June 2019 and was able to acquire two frequency blocks à 2 x 5 MHz in the 2 GHz range and five frequency blocks à 10 MHz in the 3.6 GHz range. The total hammer price amounted to about €1.07 billion, of which, in accordance with the terms and conditions of the auction, about €735 million for the frequency blocks in the 3.6 GHz range is due within 65 bank days after the award. Another approximately €335 million for the frequency blocks in the 2 GHz range is due and payable by 30 June 2024 because this spectrum will only become available from January 2026.

This transaction is not presented in the accounting as of 30 June 2019 because at the time of the report the Federal Network Agency had not yet issued a concrete award of the frequency blocks.

19. Consolidated cash flow statement

Concomitant with the mandatory initial application of the accounting standard IFRS 16 per 01/01/2019, the repayment share of lease instalments is disclosed in the cash flow from financing activities. In the previous year, on the other hand, the outgoing payments resulting from operating leases were disclosed under the cash flow from operating activities. The values of the previous year have not been restated.

The changes in the item "Effects from IFRS 15 accounting not affecting payment" that were disclosed separately in the previous year have been presented in the changes in assets and debts since 31 December 2018. The presentation of the first half of 2018 has been restated appropriately for better comparability.

20. Incidents after the balance sheet date

No important events occurred after the balance sheet date.

Maintal, 15 August 2019

1&1 Drillisch Aktiengesellschaft

Ralph Dommermuth André Driesen Markus Huhn Alessandro Nava

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT, QUARTERLY

in €m

	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2018 Q2
Sales	900.4	943.1	912.1	913.5	914.7
Cost of sales	-622.4	-641.9	-642.5	-640.0	-648.5
GROSS PROFIT FROM REVENUES	**278.0**	**301.2**	**269.6**	**273.5**	**266.2**
Distribution costs	-99.2	-95.6	-107.1	-102.1	-98.6
Administration costs	-22.2	-36.6	-25.8	-24.4	-23.8
Other operating expenses/income	8.6	14.2	6.9	8.1	9.3
Impairment losses from receivables and contract assets	-18.6	-25.0	-14.8	-22.8	-17.4
RESULTS FROM OPERATING ACTIVITIES	**146.6**	**158.2**	**128.8**	**132.3**	**135.7**
Financial results	-1.1	-3.3	-1.3	-3.9	-0.2
PROFIT BEFORE TAXES	**145.5**	**154.9**	**127.5**	**128.4**	**135.5**
Tax expenses	-44.5	-28.8	-38.5	-38.6	-40.9
CONSOLIDATED PROFIT	**101.0**	**126.1**	**89.0**	**89.9**	**94.6**
Profit per share (in €)					
- undiluted	0.57	0.71	0.50	0.51	0.54
- diluted	0.57	0.71	0.50	0.51	0.54

Rollover to total consolidated results

	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2018 Q2
Consolidated profit	**101.0**	**126.1**	**89.0**	**89.9**	**94.6**
Categories that may subsequently be reclassified in the profit and loss account (net)	0.0	0.0	0.0	0.0	0.0
Categories that will not subsequently be reclassified in the profit and loss account (net)	0.0	-0.7	0.0	0.0	0.0
TOTAL CONSOLIDATED RESULTS	**101.0**	**125.4**	**89.0**	**89.9**	**94.6**

AFFIRMATION STATEMENT OF THE LEGAL REPRESENTATIVES

AFFIRMATION STATEMENT OF THE LEGAL REPRESENTATIVES

Declaration according § 37y WpHG in connection with § 37w Sec. 2 Nr. 3 WpHG

To the best of our knowledge, and in accordance with the applicable accounting principles for interim reporting, the consolidated interim financial statements give, in compliance with generally accepted accounting principles, a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Interim Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remaining fiscal year.

Maintal, 15 August 2019

Ralph Dommermuth André Driesen Markus Huhn Alessandro Nava

OTHER

INVESTOR RELATIONS CORNER

1. Investor Relations

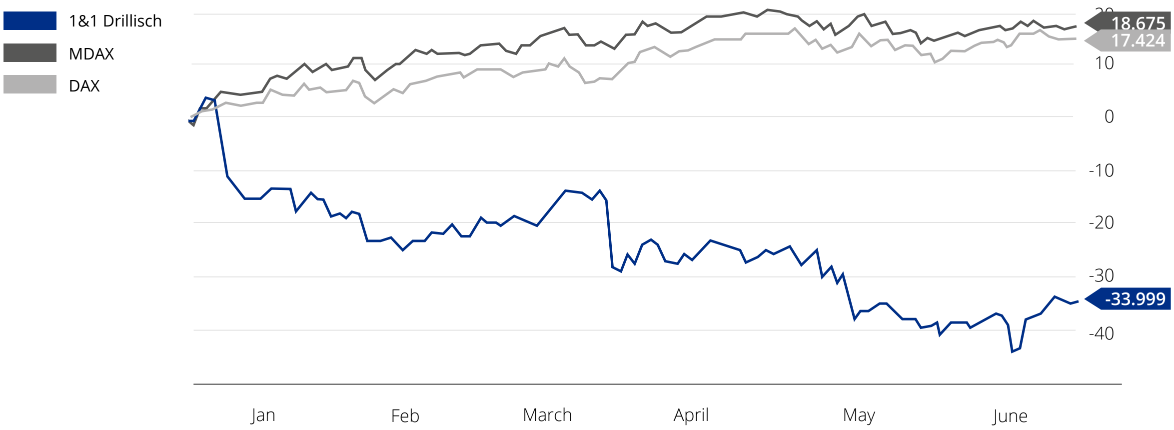
Communications are conducted in conformity with the fair disclosure principle, i.e. all shareholders and interested parties are simultaneously provided with the same type of information about all important developments. The ongoing work can be followed and tracked equally by all investor groups on our investor relations home page where all of our relevant reports can be viewed. Many of the people interested in our Company also take advantage of the opportunity for personal contact via email and/or telephone.

2. Share price development in the first half-year 2019

	2018 year end	30 June 2019	% change
1&1 Drillisch	€44.50	€29.32	-34.1
DAX	10,558.96	12,398.80	+17.4
MDAX	21,588.09	25,619.57	+18.7

Performance of the 1&1 Drillisch-Share compared to DAX and MDAX*

indexed share price development (January - June 2019)



* Indices and the 1&1 Drillisch-Share show a dividend adjusted performace

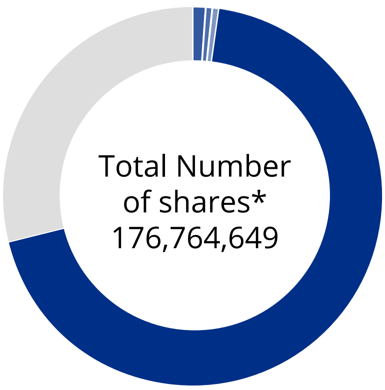
3. Current Analyst Assessments (Last Revised 23 July 2019)

Overall, the capital market views the 1&1 Drillisch stock as promising because of a good strategic positioning on the German telecommunication market.

Analysis	Rating	Price Target	Date
Kepler	„Buy“	€45.00	23 July 2019
Macquarie	„Underweight“	€20,50	17 July 2019
Jefferies	„Buy“	€63.00	10 July 2019
Hauck	„Buy“	€45.00	08 July 2019
Warburg	„Buy“	€47.00	02 July 2019

A constantly updated overview of the analysts' recommendations can be found on the 1&1 Drillisch AG IR home page:
https://www.1und1-drillisch.de/investor-relations/research-notes

4. Shareholder Structure (as of 10 July 2019)



Treasury Shares: 0.28 % | 1&1 Drillisch AG
0.28 % | shs. 500,000

Supervisory Board: 0.12 % | V. Choulidis
0.04 % | MV Beteiligungs GmbH
0.16 % | shs. 273,333

75.10 % | United Internet AG
75.10 % | shs. 132,746,378

Other Shareholders: 24.46 % | shs. 43,244,938

Free Float as per definition of Dt. Boerse AG: 24.62 %

* Per voting rights publications

Source: https://www.1und1-drillisch.de/investor-relations/shareholder-structure

FINANCIAL CALENDER*

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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Offenbach City Tax Office

Management Board:

» Ralph Dommermuth (CEO)

» Martin Witt (Deputy Chairman) (until 30 June 2019)

» André Driesen

» Markus Huhn (since 1 July 2019)

» Alessandro Nava (since 1 July 2019)

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 half-year financial report 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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