



Fiscal Year 2018 and Outlook 2019

- 2018
- Company development
- Financial indicators
- 5G Frequency auction
- Outlook 2019

	2017 (IAS 18) ⁽¹⁾	2018 (IFRS 15)	Change	Forecast 2018
Subscribers in current product lines ⁽²⁾	12.57m	13.54m	+0.97m	+ ca. 1m
Revenue	2,812.3m	3,662.5m	+ 30.2 %	+ ca. 31.5 %
EBITDA adjusted ⁽³⁾	532.2m	721.9m	+ 35.6 %	+ ca. 40.0 %
EBIT adjusted ⁽³⁾	468.1m	567.2m	+ 21.2 %	–
EPS	2.28	2.30	+ 0.7 %	–
EPS vor PPA	2.57	2.75	+ 6.9 %	–

Dividend proposal depends on the outcome of the current 5G frequency auction:

- 1.80 € per dividend entitled share (previous year: 1.60 €) or
- 0.05 € per dividend entitled share (minimum dividend required in Section 254 AktG).

(1) In 2017: Drillisch only included with 4 months in the figures

(2) In 2018: Adjusted for around 70,000 broadband connections from discontinued operations; previous year adjusted so that the adjustment has no impact on net change

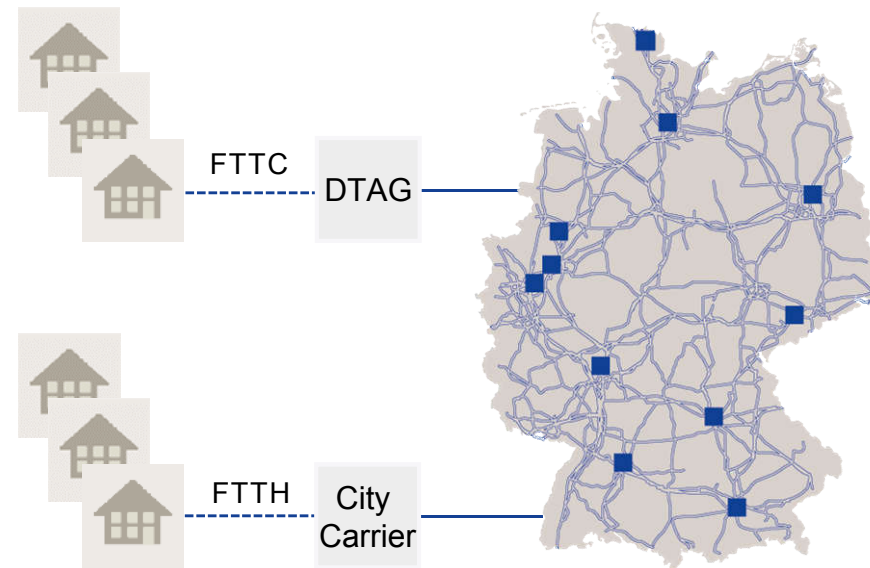
(3) In 2017: Adjusted for one-off expenses from the sale of yourfone Shop GmbH and the restructuring of retail trade of EUR 28.2 million in total

Company development

- Largest alternative DSL provider serving 4.34m broadband connections (ADSL, VDSL, FTTH)
- connect Landline Network Test: #1 in 2015, #2 in 2016, #1 in 2017, #2 in 2018



Households



Last mile:

- VDSL-Vectoring (FTTC) mainly through Layer 2-infrastructure of Deutsche Telekom, Layer 3 besides
- Optic fibre (FTTH) via City Carrier
- ADSL via further network operators

- Germany's leading MVNO serving 9.20 million mobile services contracts
- Broad market coverage



- Telefónica remedy partner with long-term guarantee of access to up to 30% of network capacity and all future technologies, incl. 5G
- Additional procurement of advance service from Vodafone

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- Increased smartphone use for new and current customers (returns from higher rate plan prices) => realised

 - Tightening of the trademark portfolio => realised
 - 1&1: Development into a premium provider of broadband connections and mobile internet
 - smartmobil.de: SIM card discounter
 - Yourfone: smartphone discounter

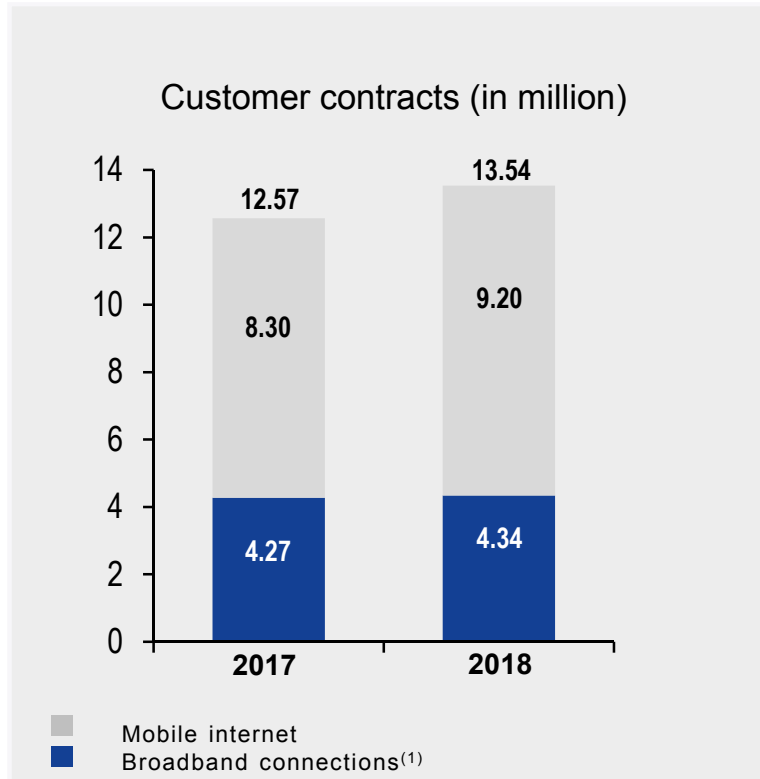
 - Expansion of current customer marketing => realised

 - Improvement in the retention process for discount brands => realised

 - Unified management team => realised

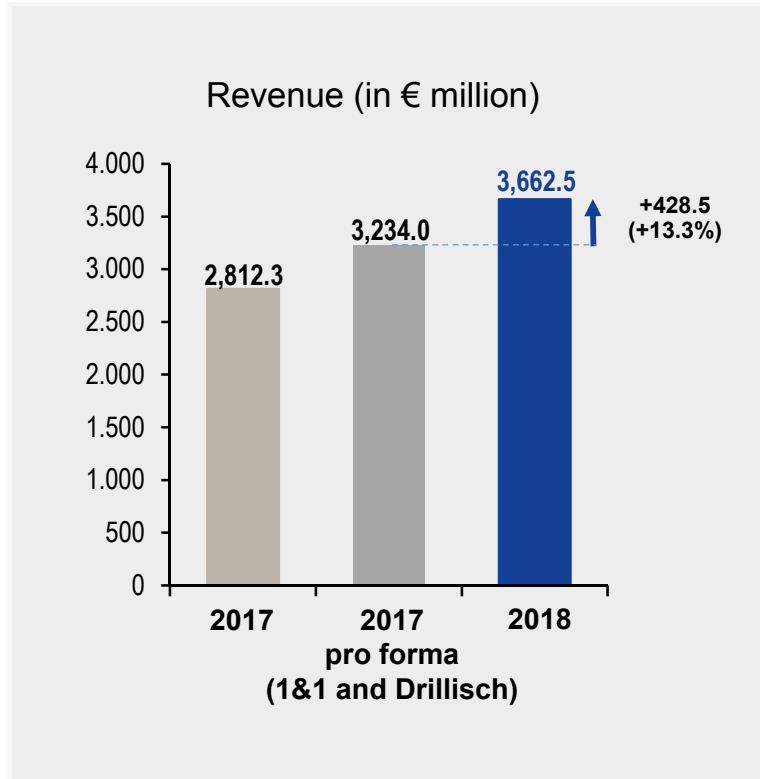
 - Merger of the organisations previously operating separately => ongoing process

Customer contracts⁽¹⁾

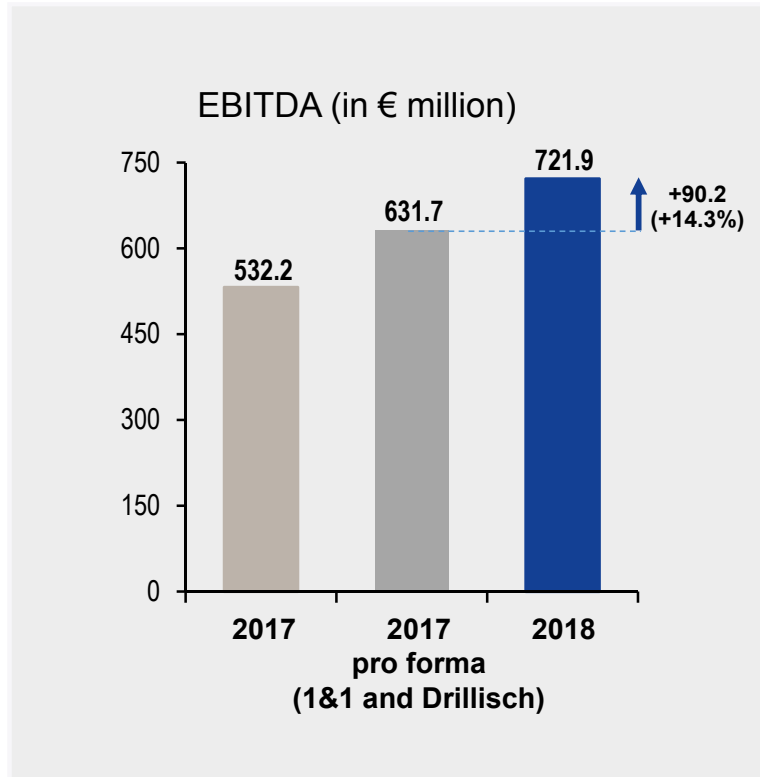


- 13.54 million customer contracts (+0.97 million) total, of which:
 - 9.20 million mobile internet (+0.90 million)
 - 4.34 million broadband lines (ADSL / VDSL / FTTH) (+0.07 million)

(1) In 2018: Adjusted for around 70,000 broadband connections from discontinued operations; previous year adjusted so that the adjustment has no impact on the net change

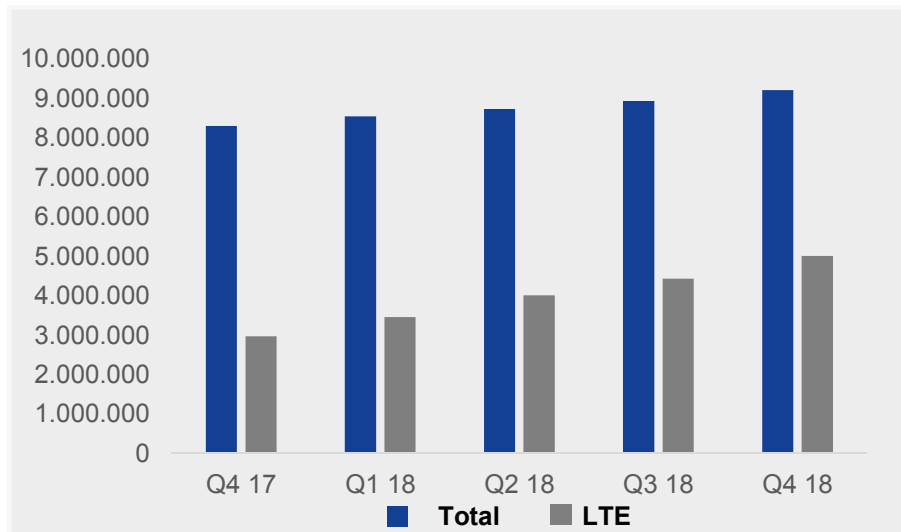


- + 30.2 % revenue to €3,663 billion, incl. +€277.6 million from IFRS15
- + 13.3 % pro forma revenue growth



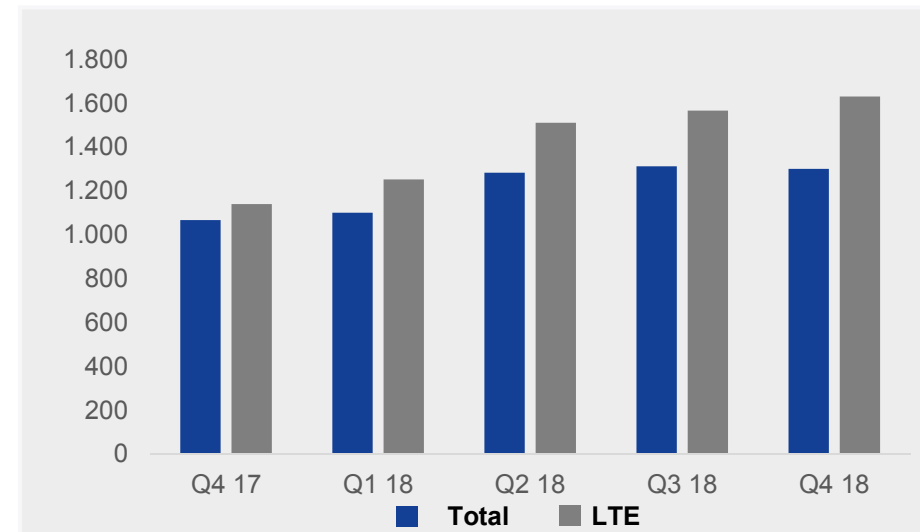
- + 35.6 % EBITDA to € 721.9 million, incl.
 - € + 268.1 million from IFRS 15
 - € - 268.1 million essentially from increasing hardware usage
 - € - 25.1 million one-offs from integration projects
- 19.7 % EBITDA margin (previous year: 18.9%)
- + 14.3 % pro forma EBITDA

Mobile contracts



- 9.2 million customer contracts in total
- LTE growth of 2.04 million contracts to 5.0 million contracts

Mobile data usage per contract in (MB/month)



- Data usage per contract (total) + 21.9 %
- Data usage per LTE contracts + 43.2 %

Financial indicators

(in € million)	2017 (IAS 18)	2018 (IFRS 15)	Change
Revenues	2,812.3	3,662.5	+ 30.2 %
Cost of sales	- 1,887.7	- 2,555.7	+ 35.4 %
Gross profit from turnover	924.6	1,106.8	+ 19.7 %
Distribution costs	- 393.7	- 399.0	+ 1.3 %
Administration costs	- 74.4	- 104.9	+ 41.0 %
Other operating expenses	- 45.1	- 1.8	- 96.0 %
Other operating income	28.5	51.4	+ 80.5 %
Impairment losses from financial assets	0	- 85.2	
Profit/loss from operating activities	439.9	567.2	+ 28.9 %
Financial result	- 8.6	- 4.6	+ 46.5 %
Profit before taxes	431.3	562.8	+ 30.4 %
Tax expenses	- 120.9	- 156.6	+ 29.4 %
Consolidated results from continued operation	310.4	406.0	+ 30.8 %

Balance Sheet

31 December 2017

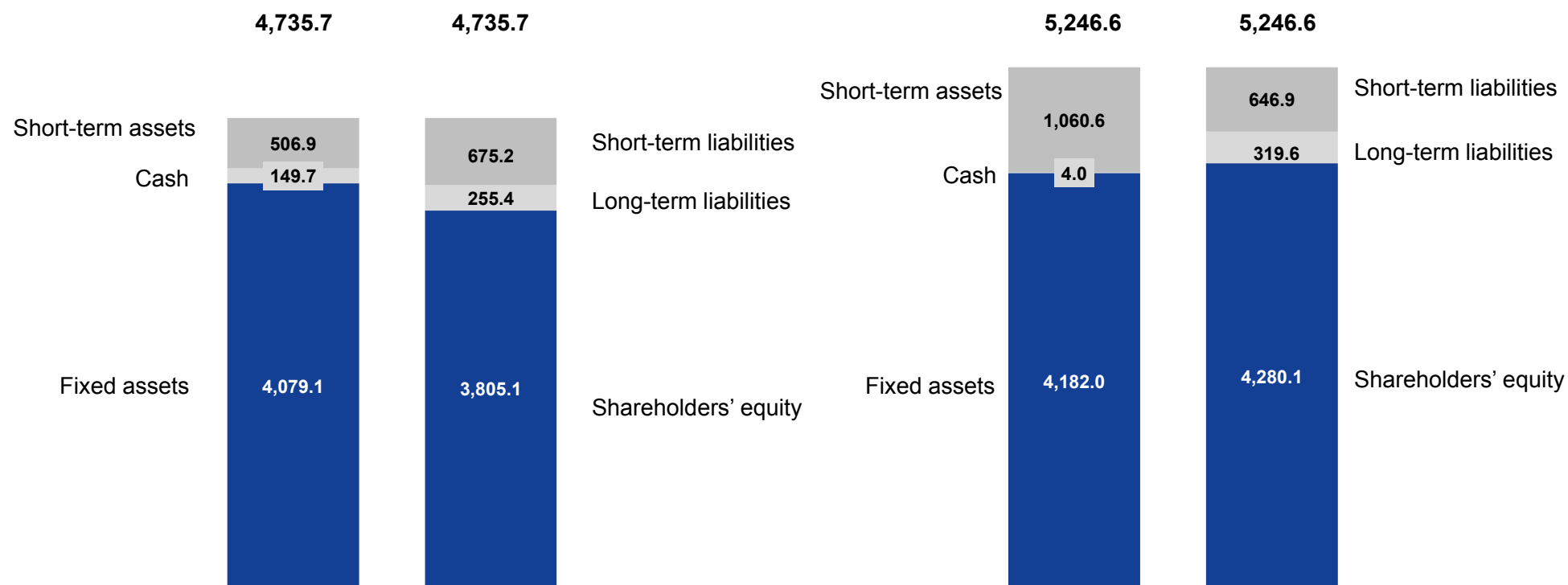
31 December 2018

(in € million)

ASSETS EQUITY AND LIABILITIES

(in € million)

ASSETS EQUITY AND LIABILITIES



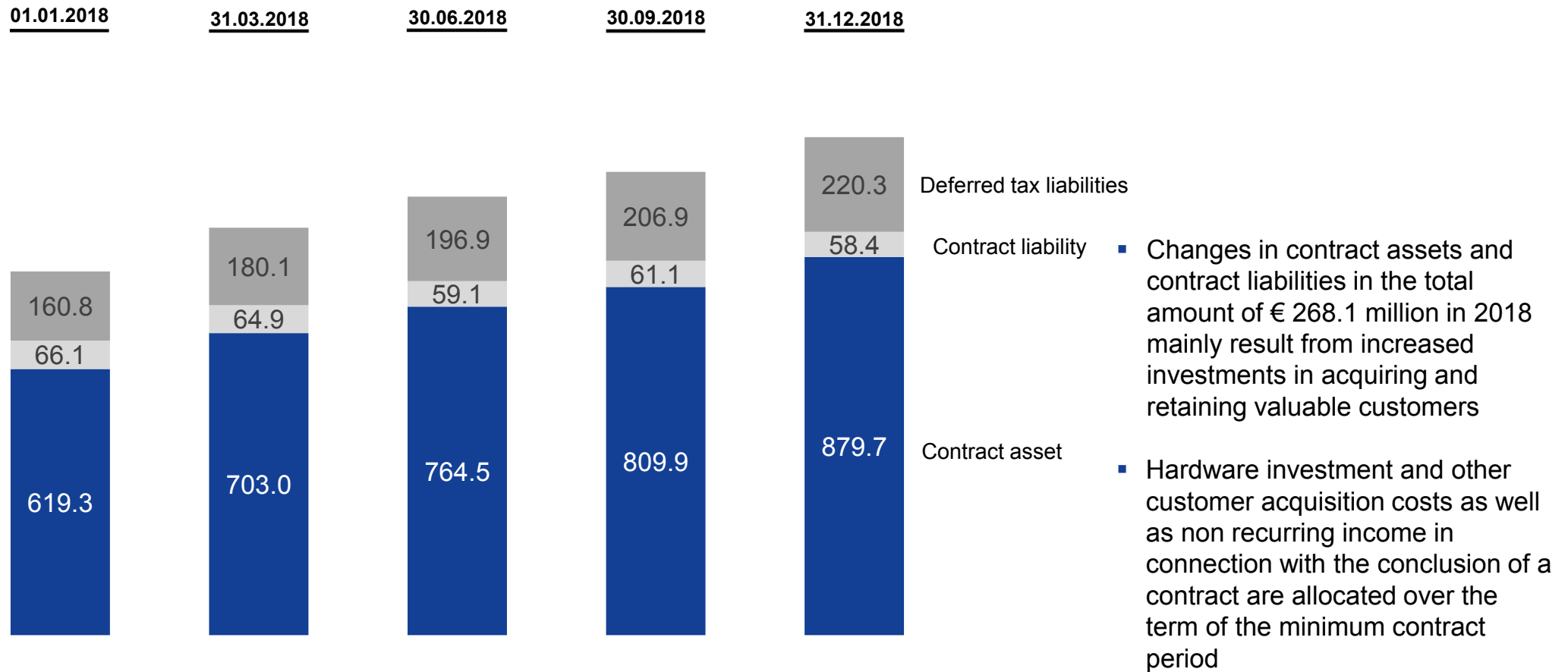
(in € million)	2017	2018	Change	Comment
Net inflow of funds from operating activity	294.1	155.6	- 47.1%	<ul style="list-style-type: none"> Change results in particular from higher outflow for hardware investment In the future, this leads to higher revenue from customer contracts
Cash flow from investment activities	9.3	-21.5	- 331.2%	<ul style="list-style-type: none"> - 13.2m € Capex - 8.3m € retroactive outflow of funds in 2018 from the deconsolidation of yourfone Shop GmbH + 33.1m € in 2017 from the initial consolidation of Drillisch
Cash flow from financing activities	- 146.0	-279.8	- 91.6%	<ul style="list-style-type: none"> 282.8m € dividend payment + 32.0m € deposits from borrowing at United Internet
Free cash flow ⁽¹⁾	278.6	142.6	- 48.8%	

(1) Definition of free cash flow: Free cash flow is calculated as the net inflow of funds from operating activities from continued operation less the investments in intangible and tangible assets plus inflow of funds from disposals of intangible and tangible assets.

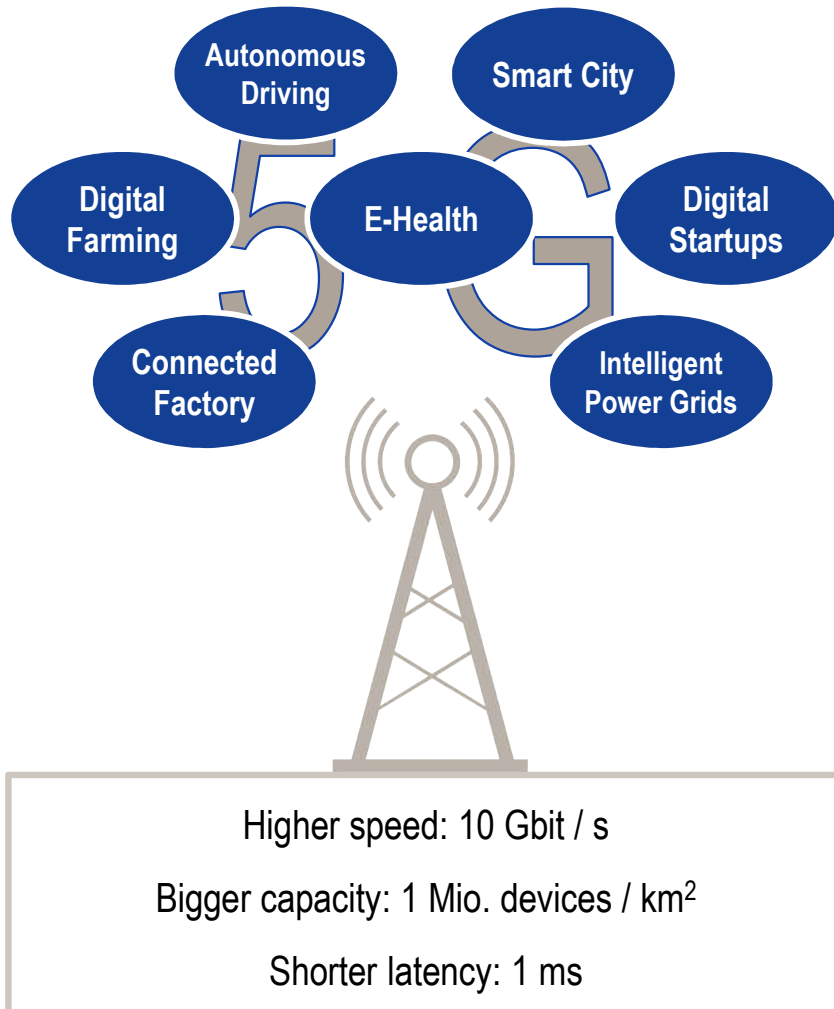
Bridge EBITDA to FCF (in € million)



IFRS 15 – Impact on Balance Sheet (in € million)



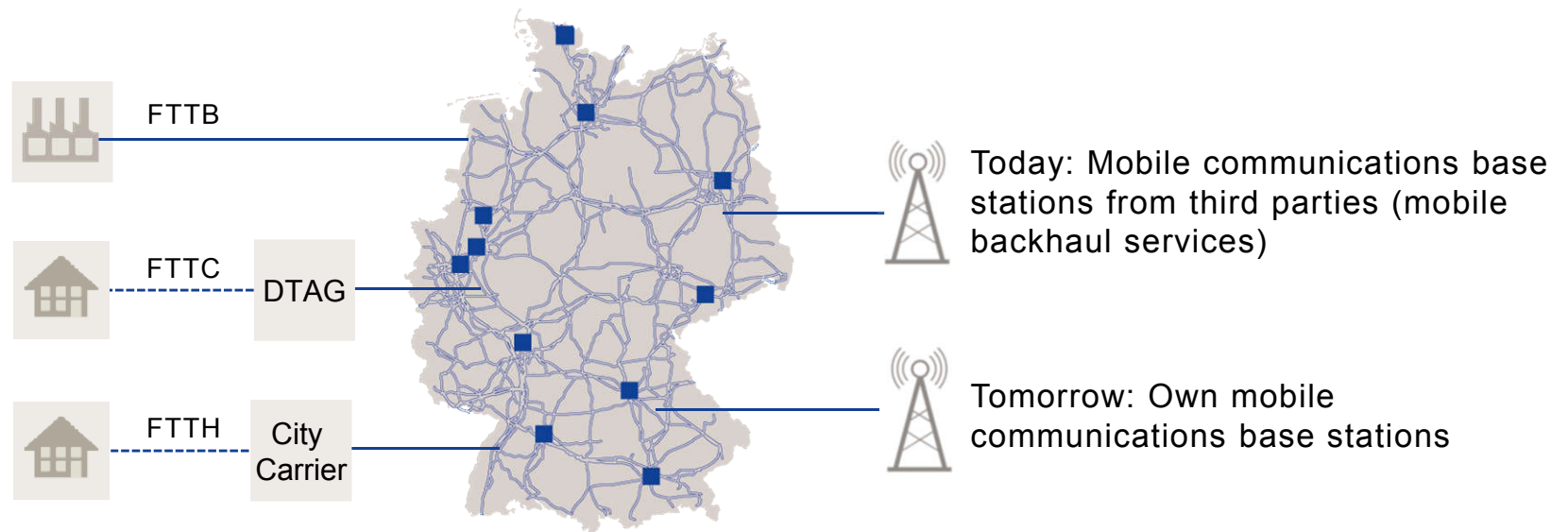
5G Frequency auction



- 5G is the basis for a new economic eco-system
- Networks, applications and billions of devices that are not yet internet-enabled today are growing together
- In addition to telecommunications know-how, network operators increasingly require online and application know-how with 5G
- As part of the United Internet Group, 1&1 Drillisch has these skills at its disposal

Advantages of operating own 5G network

- “Tailor-made” network with highest quality
- New business fields (B-2-B, FWA etc.)
- Deepening of added-value and internalisation of network costs (ca. €600 million p.a.rents)
- Greater sustainability of our mobile communications business



- 1&1 Drillisch participates in the current 5G frequency auction.
- The frequencies will be available from 2021 at the earliest.
- The construction of a nationwide 5G network in Germany is only possible with additional frequencies from the next auction (available from 2026). For this reason alone, national roaming on existing networks is essential for a new entrant.
- Federal Network Agency (BNetzA) has taken this into account in the auction conditions and imposed an obligation to negotiate on existing network operators. The agency acts as arbitrator.
- 1&1 Drillisch relies on the award conditions as well as on the decisions made by BNetzA.

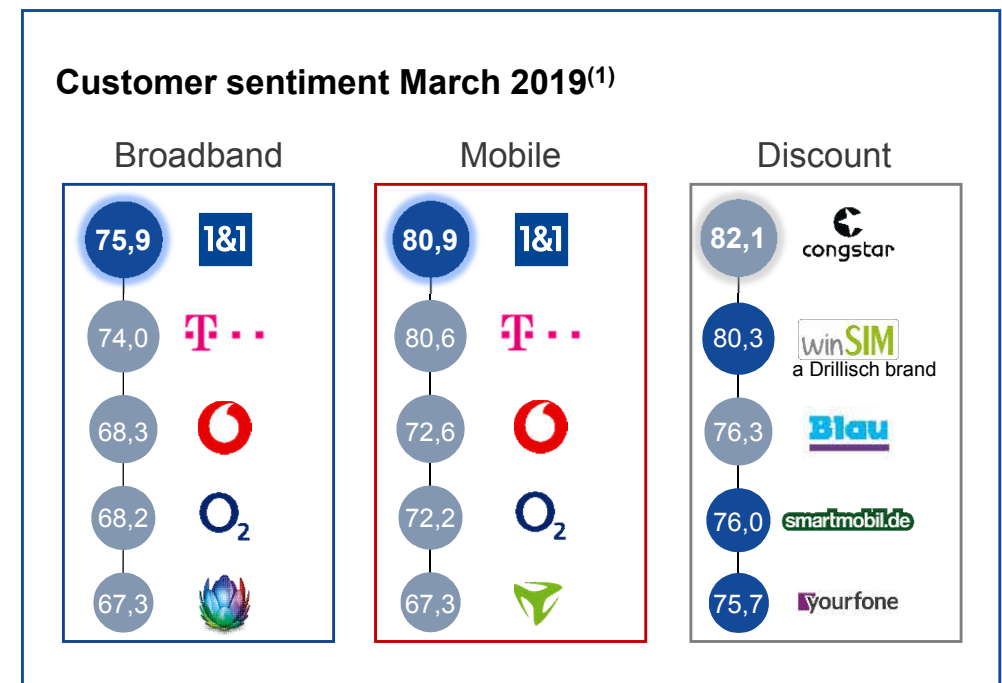
- In addition to the BNetzA's general obligation to negotiate for all network operators, the MBA MVNO contract with Telefónica explicitly guarantees national roaming.
- As part of the merger with E-Plus, Telefónica has committed itself to offer national roaming to a new entrant in Germany.
- Details are defined in the MBA MVNO contract and the "COMMITMENTS TO THE EUROPEAN COMMISSION" of 29 May 2014.
- The MBA MVNO is valid until 30 June 2020. It can be extended twice by 5 years by 1&1 Drillisch.

Extract from the commitments

... If the New MNO Entrant is an Upfront MBA MVNO, the MBA Agreement will continue as the national roaming agreement which means that national roaming traffic will be handled and invoiced under the Bitstream Component 1, the Bitstream Component 2 and the Bitstream Component 3 of the MBA Model and not under any national roaming agreement ...

Outlook 2019

- Further consolidation of the organizations of 1&1 and Drillisch
- Continuous increase in customer satisfaction through new service offerings
- Continued strong growth in number of contracts
- Operating own 5G network
 - Acquisition of frequencies
 - Conclusion of National Roaming Agreement
 - Preparation of the Network Setup



(1) KST= Customer sentiment; Institute: ResponDi AG, Cologne - Method: Ad hoc Online Study (Panel) - Survey period: 01.-15.03.2019 - Participants: n = 300 per provider

Continuing strong customer growth

- Approx. +4% Revenue growth (to approx. €3,8 billion)
 - The changed allocation split with a strong focus on the Telefónica network, both for new customers and for contract renewals, is reflected in revenue at - 1% (higher sales deductions because of reduced base price in the first 12 months)

- Approx. +10% EBITDA growth (to approx. €800 million, incl. approx. €10 million one-offs from integration projects)
 - More substantiate forecast following the completion of current price adjustment round with a wholesale supplier

Our Success Story
Continues!

This presentation contains statements and forecasts related to future developments; they express the current assessments of the 1&1 Drillisch AG management.

These assessments and statements may be subject to changes and/or uncertain general conditions which, in the majority of cases, are difficult to predict and are beyond the control of 1&1 Drillisch AG.

In the event of changes in these general conditions, 1&1 Drillisch AG does not assume any obligation to publish the information on which these assessments and statements are based or to publish any revisions of this information.

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