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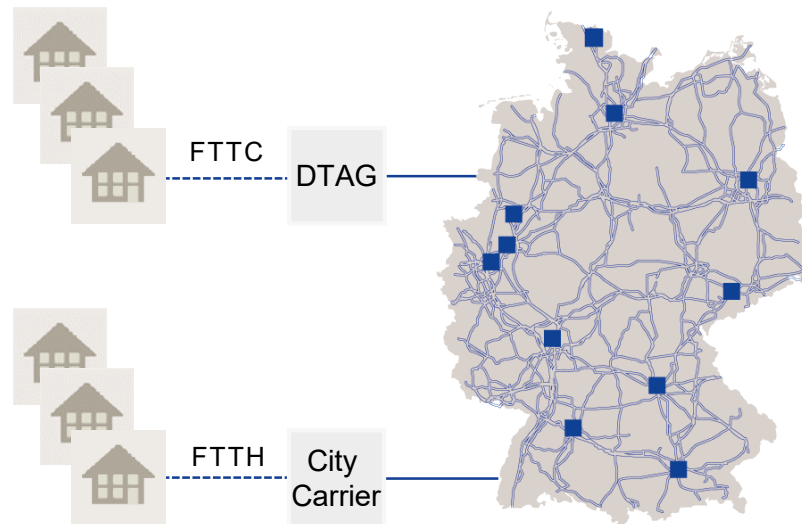
## H1 2019 and Outlook

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- Business development
- Results H1 2019
- 5G-Frequency Auction & Next Steps
- Outlook

# Business 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, # 3 in 2019



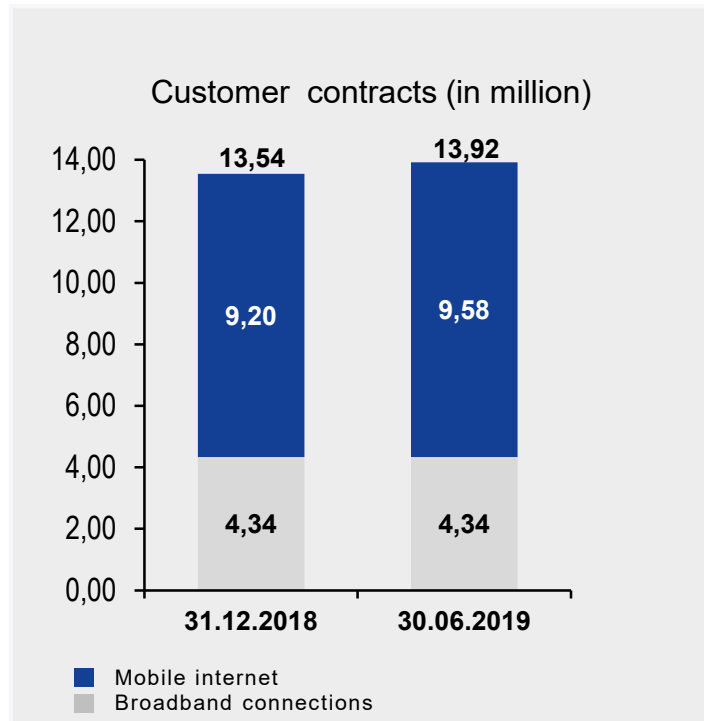
Last mile:

- 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

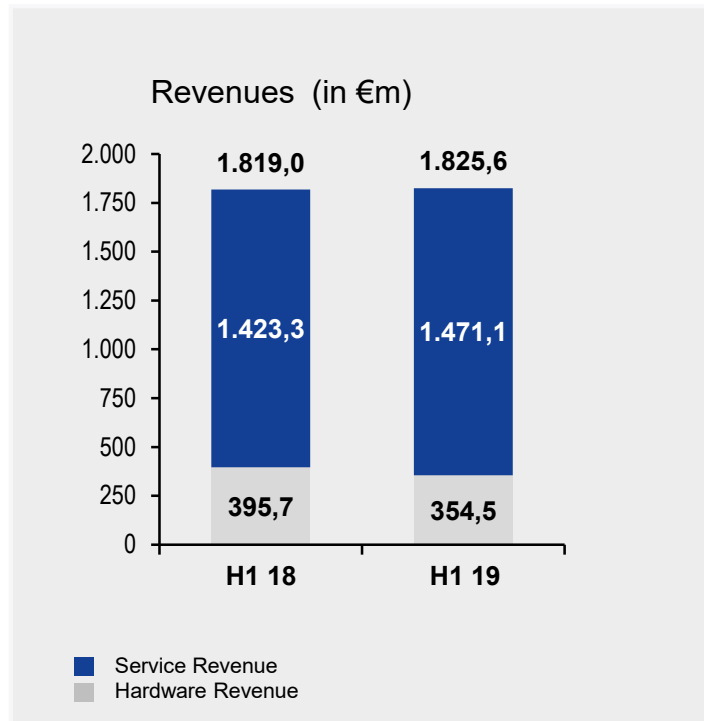
- Germany's leading MVNO serving 9.58 million mobile services contracts
- Broad market coverage



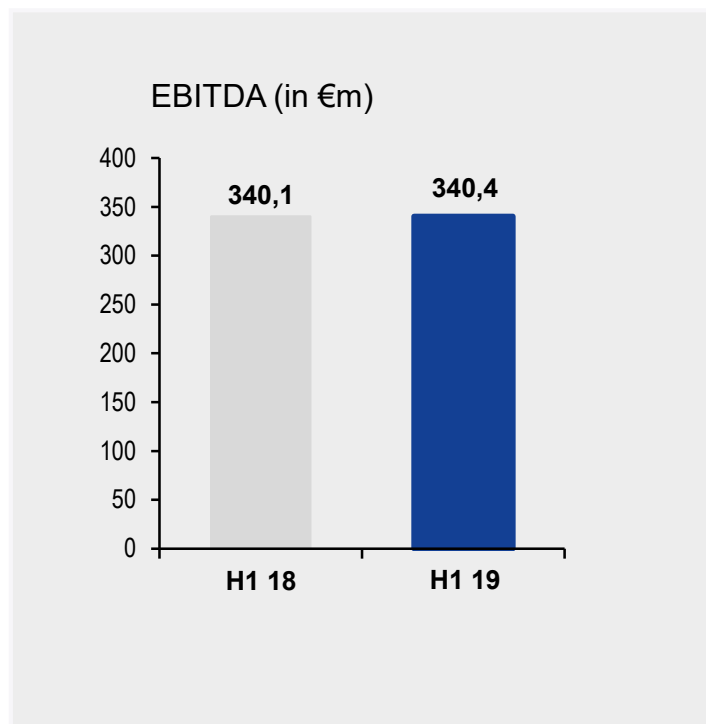
- Telefónica remedy partner with long-term guarantee of access to up to 30% of network capacity and all future technologies, incl. 5G
- Additional procurement of advance service from Vodafone



- 13.92 million customer contracts (+ 0.38m)
  - 9.58 million Mobile Internet (+ 0.38m)
  - 4.34 million Broadband ADSL / VDSL / FTTH
- Net Adds Mobile
  - Q1 2018: + 240k
  - Q2 2018: + 190k
  - Q3 2018: + 200k
  - Q4 2018: + 270k
  - Q1 2019: + 170k
  - Q2 2019: + 210k



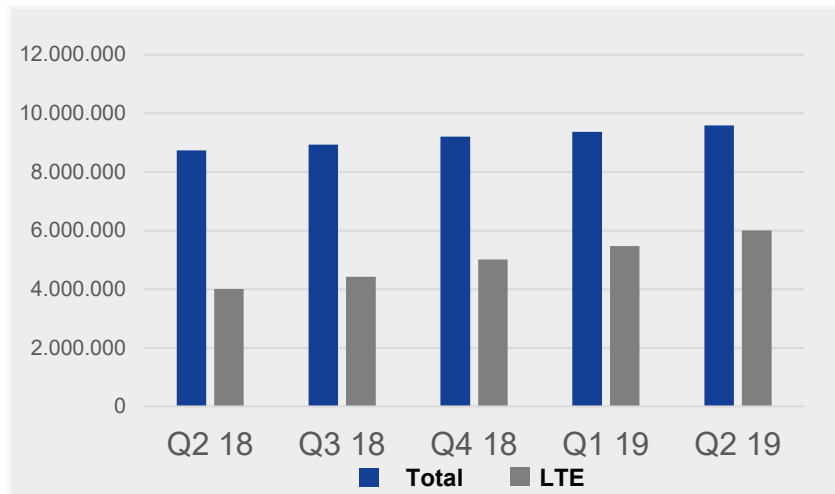
- + 3.4 % Service-Revenue to €1,471.1 million
- - 10.4 % Other Revenues, in particular low-margin hardware business
- + 4,7 % Service revenues without effect of increasing LTE demand of existent customers (higher sales deductions due to reduced tariff prices in the first 12 months)



- + 0.1 % EBITDA to € 340.4 million
- 18.6 % EBITDA margin (previous year: 18.7%)
- EBITDA H1 2019 includes:
  - + € 2.3 million from the first-time application of IFRS 16
  - - € 2.3 million expenses in connection with integration projects (previous year: - € 7.7 million)
  - - € 37.1 million preliminary effect of the elimination of the preliminary price adjustment mechanism of a prepayment agreement; the permanent advance performance prices are currently the subject of arbitration proceedings
- + 8.6 % EBITDA adjusted for the aforementioned effects

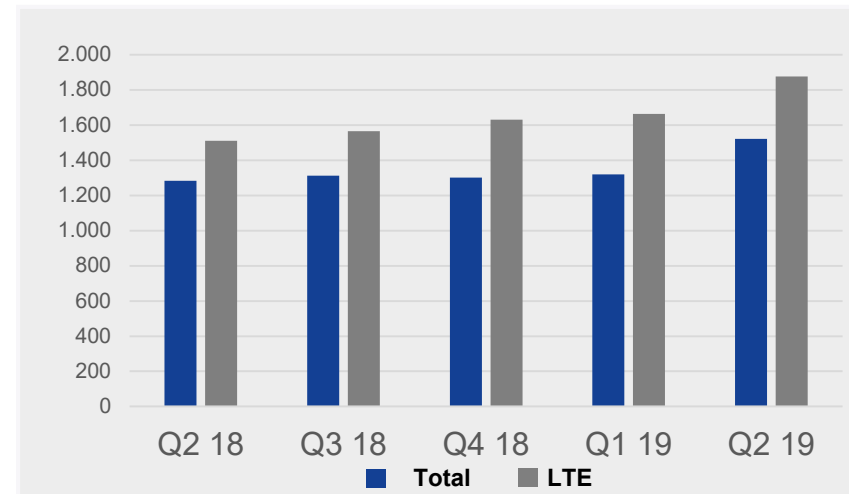


## Mobile contracts



- 9.6 million customer contracts in total
- LTE growth of 2.0 million contracts to 6.0 million contracts

## Mobile data usage per contract in (MB/month)



- Data usage per contract (total) + 18.6 %
- Data usage per LTE contracts + 24.1 %

# Key figures H1 19

	H1 2018	H1 2019	Change
Subscribers in current product lines	13.04m	13.92m	+ 0.88m
Thereof Mobile Internet	8.73m	9.58m	+ 0.85m
Thereof Broadband	4.31m	4.34m	+ 0.03m
Revenue	€1,819.0m	€1,825.6m	+ 0.4 %
Thereof Service-Revenue	€1,423.3m	€1,471.1m	+ 3.4 %
Service Revenues excluding effects of increased demand from existing customers for LTE tariffs (sales deduction in the first contract year)	€1,427.8m	€1,494.2m	+ 4.7 %
EBITDA	€340.1m	€340.4m	+ 0.1 %
EBITDA excluding effects from IFRS 16, one-offs from integration projects and the discontinuation of the price adjustment mechanism of a prepayment agreement <sup>1</sup>	€347.8m	€377.5m	+ 8.6 %

(1) IFRS 16 (H1 2019: + €2.3 million, H1 2018: €0 million), expenses for integration projects (H1 2019: € - 2.3 million, H1 2018: € - 7.7 million) temporary price adjustment mechanism of a wholesale contract (H1 2019: € - 37.1 million)

# Results H1 2019

# Profitability H1 2019 vs. H1 2018

(in €m)	H1 2018	H1 2019	Change
<b>Revenues</b>	1,819.0	1,825.6	+ 0.4 %
Cost of sales	- 1,291.3	- 1,282.5	- 0.7 %
<b>Gross profit from turnover</b>	527.7	543.1	+ 2.9 %
Distribution costs	- 204.1	- 209.2	+ 2.5 %
Administration costs	- 46.1	- 50.2	+ 8.9 %
Other operating expenses / income	17.4	14.9	- 14.2 %
Impairment losses from receivables and contract assets	-32.2	-37.6	+ 16.6 %
<b>Profit/loss from operating activities</b>	262.7	261.1	- 0.6 %
<b>Financial result</b>	- 0.2	- 5.1	
<b>Profit before taxes</b>	262.5	256.0	- 2.5 %
Tax expenses	- 83.2	-77.0	- 7.5 %
<b>Consolidated results from continued operation</b>	179.3	178.9	- 0.2 %
<b>EBITDA</b>	340.1	340.4	+ 0.1 %

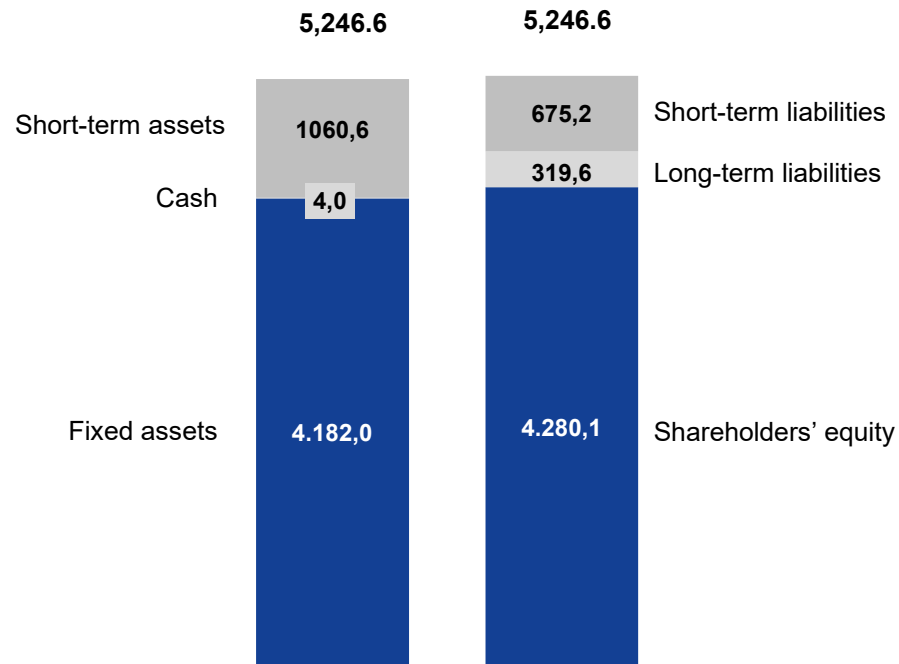
# Balance Sheet

31 December 2018

30 June 2019

(in €m)

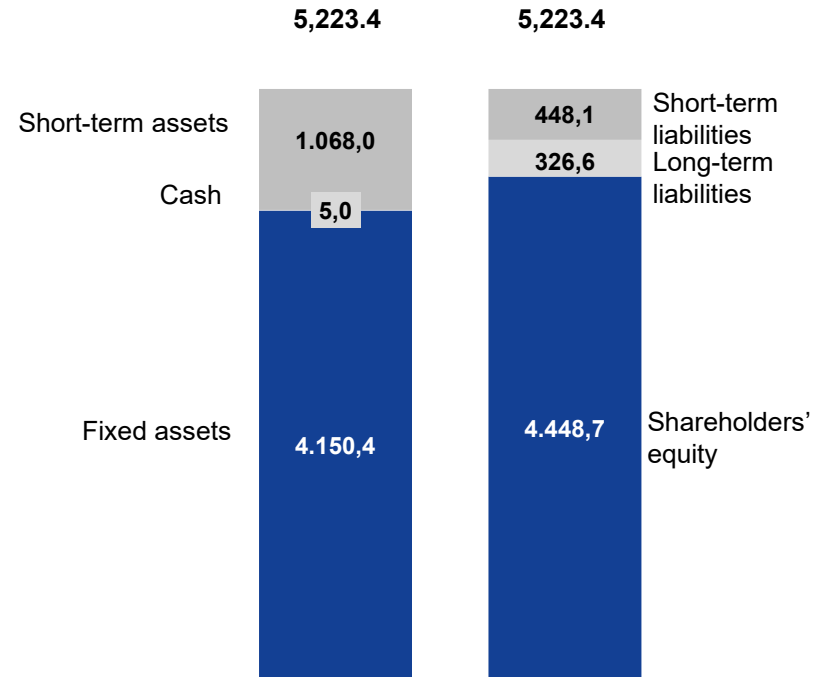
**ASSETS EQUITY AND LIABILITIES**



Equity ratio 81.6 %

(in €m)

**ASSETS EQUITY AND LIABILITIES**



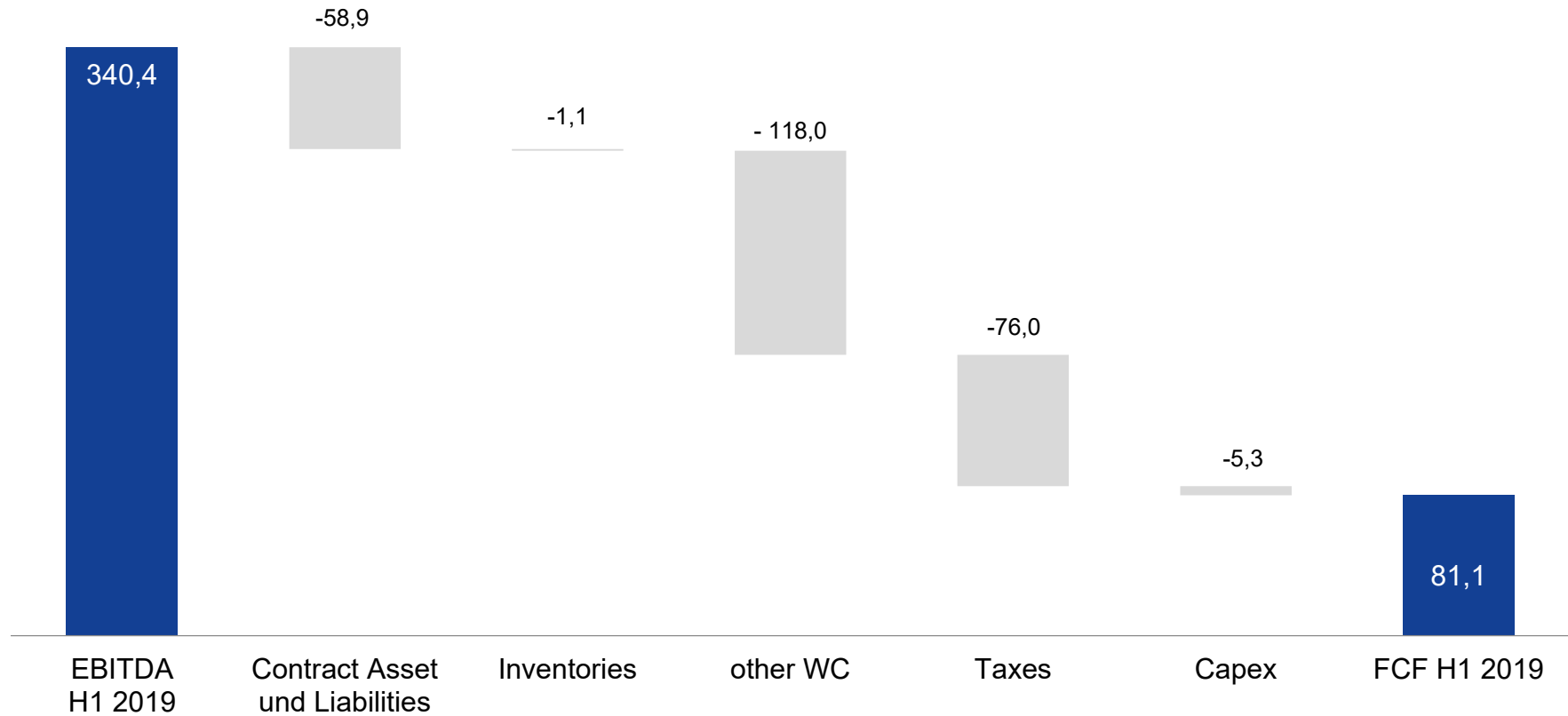
Equity ratio 85.2 %

# Cashflow

(in €m)	H1 2018	H1 2019	Change	Comment
Net inflow of funds from operating activity	44.6	86.2	+ 92.2 %	<ul style="list-style-type: none"> <li>▪ 246.2 €m Cash flow from operating activities</li> <li>▪ - 94.1 €m Change in trade accounts payable</li> <li>▪ - 58.9 €m Change of Contract Assets and Contract Liabilities</li> <li>▪ - 27.1 €m Change in deferred expenditures</li> <li>▪ - 21.1 €m Change in receivables due from/liabilities due to associated companies</li> </ul>
Cash flow from investment activities	- 12.7	- 5.3	+ 58.8 %	<ul style="list-style-type: none"> <li>▪ - 5.3 €m Capex</li> <li>▪ - 8.3 €m retroactive outflow of funds with respect to deconsolidated yourfone in H1 2018</li> </ul>
Cash flow from financing activities	- 176.1	-61.0	+ 65.4 %	<ul style="list-style-type: none"> <li>▪ - 32.0 €m Repayment of loans to United Internet</li> <li>▪ - 9.0 €m Invest short term free cash in United Internet</li> <li>▪ - 8.8 €m Dividend payments</li> <li>▪ - 3.8 €m Stock repurchase</li> </ul>
Free cash flow <sup>(1)</sup>	40.1	81.1	+ 102.0 %	

(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.

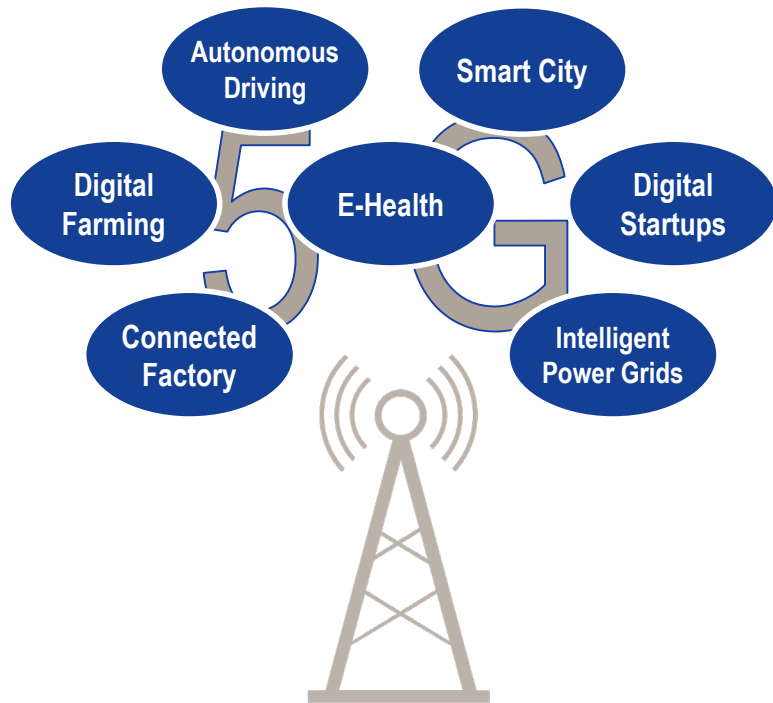
# Bridge EBITDA to FCF



	EBITDA	Contract Asset und Liabilities	Inventories	other WC	Taxes	Capex	FCF
Q1	168.5	- 42.1	- 9.6	- 61.9	- 37.9	- 2.3	14.7
Q2	171.9	- 16.8	+ 8.5	- 56.1	- 38.1	- 3.0	66,4

# 5G-Frequency Auction & Next Steps





- 5G is the basis for a new ecosystem
- 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

Higher speed: 10 GBit/s  
Bigger capacity: 1 million devices/km<sup>2</sup>  
Shorter latency: 1 ms

- Acquisition of frequencies (5x10 MHz in 3.6 GHz), available from 1 January 2021 at the latest
  - € 735 million (payable 12 September 2019)
  
- Acquisition of frequencies (2x10 MHz<sup>1</sup> in 2 GHz), available from 1 January 2026
  - € 335 million (payable 30 June 2024)
  
- Further: Possibility to lease of 2x10 MHz in 2.6 GHz until 31 December 2025
  - On the basis of a voluntary commitment of Telefónica Deutschland, which comes along as part of the EU merger release with E-Plus

# Roadmap for network build

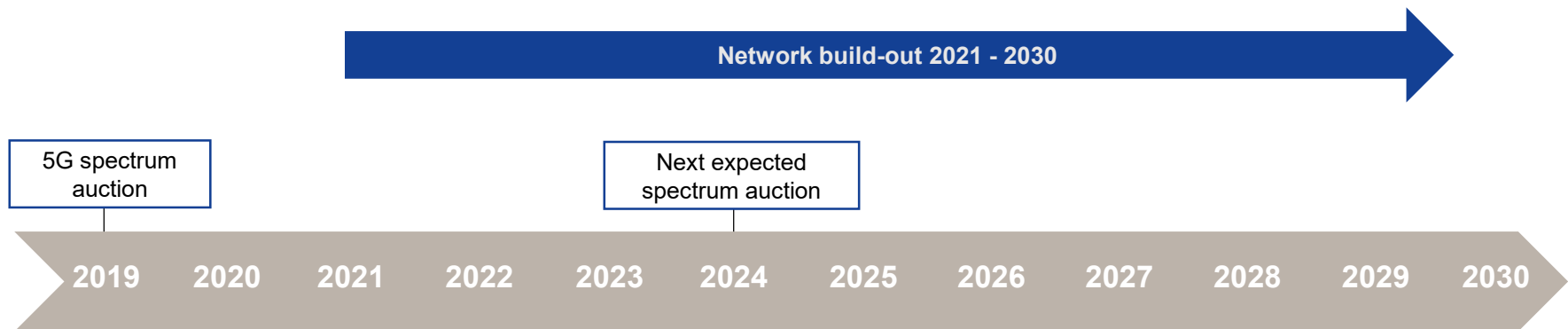
1<sup>st</sup> step: Acquisition of spectrum ✓

2<sup>nd</sup> step: Negotiations about National Roaming and infrastructure sharing

3<sup>rd</sup> step: Cooperation Agreement with one or more technology partner(s) and their respective services

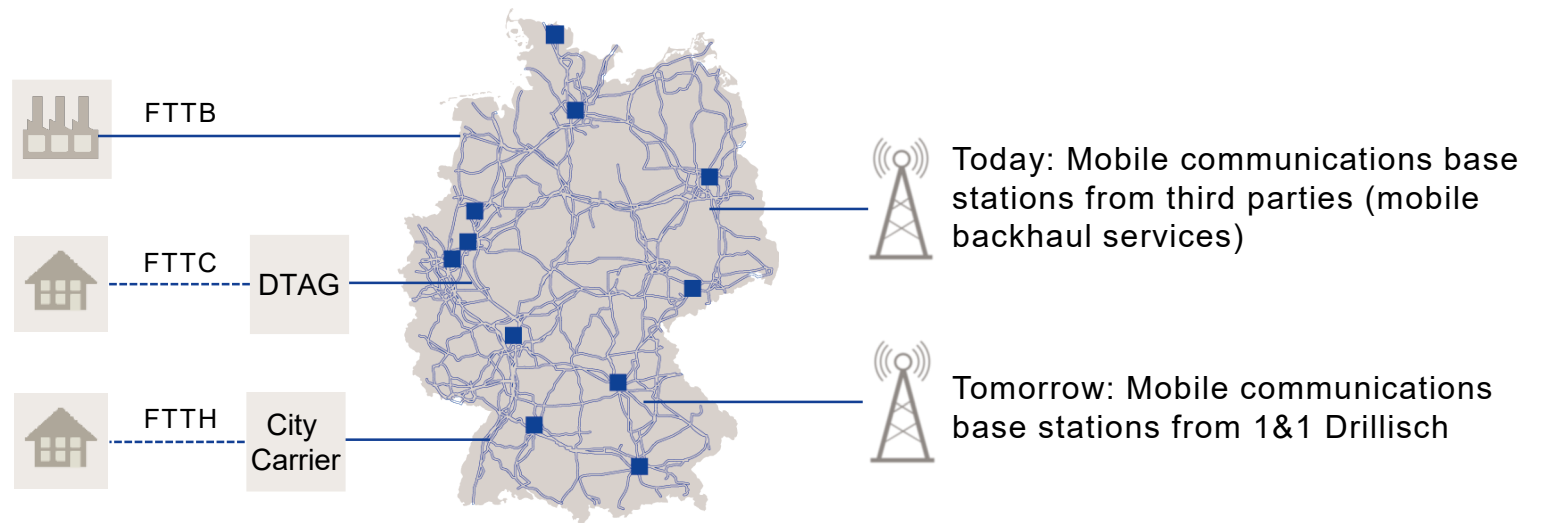
4<sup>th</sup> step: Network build-out based on the 1&1 Versatel network

5<sup>th</sup> step: Further participation in the next spectrum bid (800MHz), expected for 2024



# Using 1&1 Versatel's fiber network

- 1&1 Versatel runs one of the largest fiber networks in Germany, which can be used as 5G backhaul
- In 250 German cities, including 19 of the 25 largest cities
- 47,013 km (previous year: 45,839 km)



- End of 2022
  - 1,000 active 5G base stations
  
- End of 2025
  - 25 % household coverage – corresponding to up to 40 biggest cities
  
- End of 2030
  - 50 % household coverage – corresponding to up to 390 biggest cities

# Outlook 2019

- Service Revenue
  - Increased demand for LTE tariffs from existing customers leads to increased sales deduction
  - Ca. 3 % growth in service revenues (so far ca. 4 %)
  
- EBITDA
  - New: Ca. €10 million negative regulatory effect (Increase of the so-called TAL charges from July 2019)
  - New: Ca. €5 million initial costs related to planning and preparation of the own 5G network
  - Ca. 8 % EBITDA growth (so far ca. 10 %)

Further concretisation after completion of the arbitration procedure

Our Success Story  
Continues!

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