

Interim Statement  
Q3 2020

## DATA & FACTS

Selected Performance Indicators	9M 2020	9M 2019	Change	Q3 2020	Q3 2019	Change	Q2 2020	Q1 2020	Q4 2019
<b>PROFIT (IN €M)</b>									
Revenues	2,813.7	2,729.6	3.1%	932.6	923.3	1.0%	940.4	940.7	945.3
Service revenues	2,258.0	2,200.3	2.6%	761.0	748.5	1.7%	749.2	747.8	742.7
Hardware and Other revenues	555.7	529.3	5.0%	171.6	174.7	-1.8%	191.2	192.9	202.6
EBITDA	456.6	508.7	-10.2%	127.0	168.3	-24.5%	165.6	164.0	174.8
EBITDA margin in % of revenue	16.2%	18.6%		13.6%	18.2%		17.6%	17.4%	18.5%
EBIT without PPA write-offs	418.1	476.8	-12.3%	108.4	158.5	-31.6%	155.5	154.2	165.0
EBIT margin in % of revenue without PPA write-offs	14.9%	17.5%		11.6%	17.2%		16.5%	16.4%	17.5%
EBIT	341.1	391.3	-12.8%	87.0	130.2	-33.1%	127.7	126.4	137.2
EBIT margin in % of revenue	12.1%	14.3%		9.3%	14.1%		13.6%	13.4%	14.5%
EBT	341.0	383.2	-11.0%	87.0	127.2	-31.6%	127.7	126.2	139.3
EBT margin in % of revenue	12.1%	14.0%		9.3%	13.8%		13.6%	13.4%	14.7%
Profit per share in € excluding PPA write-offs	1.67	1.85	-9.9%	0.40	0.61	-34.8%	0.66	0.61	0.72
Profit per share in €	1.36	1.52	-10.2%	0.32	0.51	-37.7%	0.55	0.50	0.60
<b>CASH FLOW (IN €M)</b>									
Net inflow of funds from operating activities	390.5	227.5	71.7%	192.8	160.2	20.3%	92.7	105.0	148.2
Net outflow of funds in investment sector	-400.2	-171.8	-132.9%	-190.6	-157.6	-21.0%	-86.0	-123.6	-58.6
Free cash flow	197.5	218.9	-9.8%	18.1	156.7	-88.4%	81.9	97.5	136.5
<b>HEADCOUNT (INCL. MANAGEMENT BOARD)</b>									
Total per end of September	3,154	3,082	2.3%	3,154	3,082	2.3%	3,191	3,159	3,163
<b>CUSTOMER CONTRACTS (IN MILLIONS)</b>									
Access, contracts	14.68	14.12	4.0%	14.68	14.12	4.0%	14.57	14.43	14.33
of which mobile internet	10.36	9.78	5.9%	10.36	9.78	5.9%	10.24	10.10	9.99
of which broadband (ADSL, VDSL, FTTH)	4.32	4.34	-0.5%	4.32	4.34	-0.5%	4.33	4.33	4.34
	30/09/20	31/12/19	Change	30/09/20	31/12/19	Change	30/06/20	31/03/20	31/12/19
<b>BALANCE SHEET (IN €M)</b>									
Short-term assets	1,549.2	1,309.2	18.3%	1,549.2	1,309.2	18.3%	1,578.1	1,454.4	1,309.2
Long-term assets	5,229.8	5,152.7	1.5%	5,229.8	5,152.7	1.5%	5,086.8	5,089.9	5,152.7
Shareholders' equity	4,873.8	4,640.8	5.0%	4,873.8	4,640.8	5.0%	4,817.5	4,729.3	4,640.8
Balance sheet total	6,778.9	6,461.9	4.9%	6,778.9	6,461.9	4.9%	6,664.9	6,544.2	6,461.9
Equity ratio	71.9%	71.8%		71.9%	71.8%		72.3%	72.3%	71.8%

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## LETTER FROM THE MANAGEMENT BOARD

### **Dear Shareholders,**

During the first nine months of 2020, we were able to increase the number of customer contracts by about 350,000 to 14.68 million contracts. While broadband lines declined slightly by 20,000 to 4.32 million, customer contracts in the sector mobile internet rose by about 370,000 to 10.36 million.

Total revenues increased in the first nine months of 2020 by 3.1 percent to €2.814 billion (9M 2019: €2.730 billion). The high-margin service revenues rose by 2.6 percent to €2.258 billion (9M 2019: €2.200 billion). This figure takes into account negative revenue effects of €-16.4 million that are a consequence of the coronavirus pandemic (in particular less international roaming). Without this effect, comparable revenues would have increased by 3.7 percent and service revenues would have increased by 3.4 percent. We focus on service revenues because these revenues are sustainable and decisive for our business results.

Other revenues increased by 5.0 percent to €555.7 million (9M 2019: €529.3 million). These revenues are related above all to hardware sales with smartphones, tablets, WLAN routers, etc. and are typically of low margins. These sales fluctuate seasonally and its development depends heavily on the attractiveness of new devices and the model cycles of manufacturers.

Consolidated EBITDA (earnings before interest, taxes, depreciation and amortisation) is short to previous year and amounting to €456.6 million (9M 2019: €508.7 million). This was due in particular to the overcharged billing of €35.4 million for the use of Telefónica network capacity realised by Telefónica Deutschland per July 2020. We do not consider the requested advance service prices to be in line with Telefónica's voluntary commitments under the EU Commission's approval decision on the merger with E-Plus and with the MBA MVNO contract and we will take the measures necessary to protect our rights (including possible claims for damages).

Moreover, the EBITDA suffered negative effects resulting from the regulatory decisions issued by the Federal Network Agency in the form of the subscriber line price increases

(since 1 July 2019) of about €-8.2 million (9M 2019: €0.0 million) and the increased expenses from the EU regulatory decision regarding text message costs (since 15 May 2019) of about €-5.5 million (9M 2019: €-1.0 million). The one-off expenses from the ongoing integration projects amounted to €-0.7 million (9M 2019: €-3.8 million). Costs of €-8.4 million (9M 2019: €-2.5 million) incurred for the planning and preparation of our 5G wireless network. In addition, earnings were reduced by around €-17.7 million because of the temporary change in use behaviours of our customers as a consequence of the coronavirus pandemic. Excluding these aforementioned effects, a comparable EBITDA would have increased by 3.2 percent above all compared to previous year.

Profit per share in the first nine months of 2020 came to €1.36 (9M 2019: €1.52). Precluding the effects of the PPA write-offs, the profit per share in the first nine months of 2020 amounted to €1.67 (9M 2019: €1.85).

Free cash flow in the first nine months of 2020 amounted to €197.5 million (9M 2019: €218.9 million). A contractually agreed one-off payment of €165.0 million was scheduled to be made to Telefónica in the third quarter of 2020 for the first five-year extension phase of the MBA MVNO contract that began on 1 July 2020. Ignoring this payment results in a free cash flow of €362.5 million. This increase is mainly due to less cash locked in working capital, particularly given the late receipt of invoices for advance services under the MBA MVNO contract with Telefónica. In the previous year, comparable invoices were available much earlier and were paid within the third quarter of 2019. At this time, we have about €422 million as freely available cash at our disposal.

Besides the operating business, the first nine months of 2020 were marked by preparations for our own wireless communications network and the ongoing negotiations for a national roaming agreement that will be required during the transitional period in which we establish our network step-by-step. Discussions with the established network operators have not yet led to any results. In consequence, we formally involved the Federal Network Agency in the national roaming negotiations on 18 September 2020 and requested that this regulatory authority assume its role as arbitrator vis-à-vis Vodafone and Deutsche Telekom.

The terms and conditions of the 5G frequency auction in 2019 expressly stipulate that the Federal Network Agency will upon request act as an arbitrator to ensure that unreasonable national roaming conditions are not imposed on a new entrant such as 1&1 Drillisch and that the conduct of negotiations is free of any discriminatory practises.

The ongoing negotiations with Telefónica regarding the conclusion of a national roaming agreement based on Telefónica's voluntary commitments under the EU Commission's approval decision for the merger with E-Plus and the MBA MVNO contract have been continuing for almost two years now. A component of the national roaming agreement would also include the prices applicable under the MBA MVNO contract per July 2020, because the prices of the MBA MVNO contract also apply to the national roaming agreement. The prices offered by Telefónica in this context would lead to significant additional costs for usage of 20 percent of the Telefónica grid capacity compared to the first five

years of the MBA MVNO contract, albeit at a lower level than the constantly high unit prices currently being invoiced by Telefónica. In our view, the prices offered by Telefónica for MBA and national roaming services are therefore not in line with the market and contradict Telefónica's voluntary commitments and the regulation under the MBA MVNO contract. Whether and on what terms an agreement is reached is therefore unforeseeable at present.

In the arbitration proceedings for the review of a price increase initiated by Telefónica in December 2018 in reference to the 2015 frequency auction in the one-time amount of approx. €64 million, the arbitrator submitted a new draft of his expert opinion at the beginning of October. In the new draft of his expert opinion, the arbitrator comes to the conclusion that this price increase during the reviewed period (2016 to 2020) is unjustified in the full amount. There are therefore no payment obligations for 1&1 Drillisch. We expect the final arbitration report to become available by the end of the year. Otherwise, no further arbitrator proceedings initiated by Telefónica are pending.

Conversely, 1&1 Drillisch is demanding substantial retroactive reductions in the advance service prices pursuant to the MBA MVNO contract from Telefónica in its price adjustment procedures 1, 2, 5 and 6.

Thanks to the positioning of our brand names and products in mobile internet and landline services, we can be counted among the leading service providers in Germany, offering comprehensive services and outstanding price-benefit ratios. For instance, our premium brand 1&1 took first place for the third time since 2015 in the respected nationwide landline network test conducted by the trade magazine connect for 2020 and this again allows advertising that 1&1 has the best network. 1&1 is also a leader in customer satisfaction. In the *connect Customer Barometer 2020*, we posted the highest customer satisfaction rating of all wireless network providers for the fifth time since 2015.

We expect customer growth to continue for the remainder of fiscal year 2020. For the strong margin service revenue we refine the expected growth to 2.5 percent (previous year: €2,943.0 million). At the beginning of the year we expected service revenues unchanged to previous year and increased this outlook to approx. 2 to 3 percent in August. Due to the modest demand from our customers for new smartphones and tablets, driven by the reduced number of tariff changers we now expect total revenue to grow by approx. 3 percent (previous year: €3,674.9). Initially we also planned total revenue unchanged to previous year and adjusted our outlook to approx. 4 percent in August. With low margins in this business, the refinement of our forecast has no impact on our outlook for EBITDA. As announced in the ad hoc announcement on 19 September 2020, we have as a precaution reduced our EBITDA forecast for 2020 to €600 million because of the in our view unjustified substantial price increase from July 2020 for the use of Telefónica's network capacity. This forecast is still subject to uncertainties as an exact assessment of the duration and further effects of the coronavirus pandemic is impossible at this time and the outcome of the ongoing negotiations with Telefónica cannot be predicted.

We consider the Company to be in an excellent position to take the next steps in our corporate development and look ahead to the future with confidence. Finally, we would like to express our heartfelt thanks to our employees for their continuous commitment and high motivation, which we appreciate particularly in the current crisis. In addition, we want to express our gratitude to our shareholders, customers and business partners for the trust they have placed in us.

Best regards from Maintal,



Ralph Dommermuth



Markus Huhn



Alessandro Nava

Maintal, November 2020

# QUARTERLY RELEASE PER 30 SEPTEMBER 2020

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## COURSE OF BUSINESS

### Development in the Segment "Access"

The Group's chargeable wireless and broadband access 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 exclusively in Germany and is with 14.68 million contracts 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 wireless or landline networks is combined with devices, own developments of applications and services to create an extended 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 address specific target groups on the market.

In the first nine months of 2020, 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 chargeable contracts in the segment "Access" rose by 0.35 million to 14.68 million contracts in the first nine months of 2020. In the mobile internet business, it was possible to acquire 0.37 million customer contracts, raising the number of contracts to 10.36 million. Broadband lines declined slightly by 20,000 contracts to 4.32 million.

### Development of contracts in the first nine months of 2020 (millions)

	30/09/2020	30/06/2020	31/03/2020	31/12/2019	Change Q3
Contracts in total	14.68	14.57	14.43	14.33	+0.35
of which mobile internet	10.36	10.24	10.10	9.99	+0.37
of which broadband lines	4.32	4.33	4.33	4.34	-0.02

Revenue in the segment "Access" rose by €84.2 million (3.1 percent) in comparison with the first nine months of 2019 to €2,813.7 million (9M 2019: €2,729.5 million). The high-margin service revenues rose by 2.6 percent to €2,258.0 million (9M 2019: €2,200.3 million). While positive revenue effects of €+3.1 million resulted in Q1 2020 primarily from temporary changes in customer use behaviour (especially in the area of telephony, including working from home regulations and contact bans), the temporary restrictions on customers' travel opportunities due to the coronavirus pandemic had a negative impact of €-19.5 million (especially from the lack of internationally roaming revenues)

on revenue development in Q2 and Q3 2020 in particular. This resulted in total in a negative effect of €16.4 million on revenues for the first nine months of 2020. Adjusted for this effect, comparable revenue rose by 3.7 percent. Comparable service revenues increased by 3.4 percent.

In the segment "Access", the cost of materials rose by €116.9 million to €1,961.2 million (9M 2019: €1,844.3 million).

The segment EBITDA amounted to €465.5 million (9M 2019: €511.7 million) and was down 9.0 percent over the previous year. The decline is due in particular to higher costs for procured mobile communications advance services. As described in our ad hoc announcement of 19 September 2020, an advance service provider issued by €35.4 million overcharged invoices for its advance service prices at the beginning of the third quarter contrary to our expectations. The related advance service prices are the subject of several arbitration proceedings initiated by 1&1 Drillisch, in the course of which 1&1 Drillisch is requesting permanent price reductions.

The segment EBITDA includes additional expenses that are a consequence of regulatory decisions in the form of the subscriber line price increases (since 1 July 2019) of about €-8.2 million (9M 2019: €0,0 million) and the increased expenses from the EU regulatory decision regarding text message costs (since 15 May 2019) of about €-5.5 million (9M 2019: €-1.0 million). The one-off expenses from the ongoing integration projects amounted to €-0.7 million (9M 2019: €-3.8 million). In addition to these expected negative effects, the temporary change in customer use behaviour as a result of the coronavirus pandemic (particularly in the area of telephony and international roaming) in the first nine months of 2020 had a negative impact of €-17.7 million on the segment's key earnings figures.

Excluding the aforementioned effects, a comparable EBITDA would have increased by 3.2 percent.

#### Major revenue and profit indicators in the segment "Access"

	9M 2020	9M 2019	Change
Revenue (in €m)	2,813.7	2,729.5	+84.2
Service revenue (in €m)	2,258.0	2,200.3	+57.7
EBITDA (in €m)	465.5	511.7	-46.2
EBITDA margin (in %)	16.5	18.7	-2.2

**Quarterly development: Change over the same quarter of the previous year**

	Q3 2020	Q3 2019	Change
Revenue (in €m)	932.6	923.2	+9.4
Service revenue (in €m)	761.0	748.5	+12.5
EBITDA (in €m)	130.1	168.9	-38.8
EBITDA margin (in %)	13.9	18.3	-4.4

**Segments "5G" and "Miscellaneous"**

The expenditures and income relating to the acquisition of the 5G frequencies and to the preparations for and the future expansion and operation of the Company's own 5G wireless network are disclosed in the segment "5G".

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

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

## POSITION OF THE GROUP

### **Profitability**

Growth in the first nine months of 2020 was driven above all by the contract customer business. The number of chargeable contracts increased by 0.35 million to 14.68 million contracts.

Sales revenues rose by 3.1 percent from €2,729.6 million in the first nine months of 2019 to €2,813.7 million in the first nine months of 2020. 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 rose by 2.6 percent to €2,258.0 million (9M 2019: €2,200.3 million). While positive revenue effects of €+3.1 million resulted in Q1 2020 primarily from temporary changes in customer use behaviour (especially in the area of telephony, including working from home regulations and contact bans), the temporary restrictions on customers' travel opportunities due to the coronavirus pandemic had a negative impact of €-19.5 million (especially due to less international roaming revenues) on revenue development in Q2 and Q3 2020 in particular. This resulted in total in a negative effect on revenues of €-16.4 million for the first nine months of 2020. Adjusted for this effect, comparable revenue rose by 3.4 percent. Service revenues are sustained earnings and determine profit. Other sales revenues increased by 5.0 percent from €529.3 million to €555.7 million in the first nine months of 2020. These sales concern primarily revenues from the realisation of hardware sales brought forward (in particular from investments in smartphones that will be reimbursed by the customers over the minimum term of the contract in the form of higher package prices) and are typically of low margins. These sales fluctuate seasonally and its development depends heavily on the attractiveness of new devices and the model cycles of manufacturers.

Cost of sales increased in the first nine months of 2020 by €113.5 million (5.9 percent) to €2,029.0 million (9M 2019: €1,915.5 million). The increase is due in particular to higher costs for procured mobile communications advance services. As described in our ad hoc announcement of 19 September 2020, an advance service provider issued by €35.4 million overcharged invoices for its advance service at the beginning of the third quarter contrary to our expectations. The related advance service prices are the subject of several arbitration proceedings initiated by 1&1 Drillisch, in the course of which 1&1 Drillisch is requesting permanent price reductions.

Cost of sales includes as well additional expenses from the regulatory decision on subscriber line price increases (since 1 July 2019) in the amount of approximately €-8.2 million (9M 2019: €0,0 million), additional expenses from the EU regulatory decision on costs of text messages (since 15 May 2019) of approximately €-5.5 million (9M 2019: €-1.0 million) and higher costs for advance services relating to the temporary change in customer use behaviour, especially in voice telephony, as a consequence of the coronavirus crisis in the amount of €-1.3 million. Excluding these additional expenses that were not incurred in the first nine months of 2019, the cost of sales would have risen by €64.2 million (3.4 percent).

The gross profit margin came to 27.9 percent (9M 2019: 29.8 percent). Gross profit in the first nine months of 2020 decreased by €29.4 million from €814.1 million to €784.7 million. Adjusted for the aforementioned effects in revenues and cost of sales, gross profit in the first nine months of 2020 amounted to €851.5 million (9M 2019: €815.1 million) and the gross margin came to 30.1 percent (9M 2019: 29.9 percent).

Distribution costs of €331.1 million in the first nine months of 2020 are slightly higher than in the previous year (9M 2019: €322.3 million). In relation to revenue, distribution costs in the first nine months of 2020 were unchanged from the previous year at 11.8 percent. The increase in distribution costs is due to the expenses relating to the sponsorship agreement with Borussia Dortmund that were recognised for the first time in the third quarter and higher marketing expenses. Administration expenses increased from €64.9 million (2.4 percent of revenue) in the first nine months of 2019 to €73.3 million (2.6 percent of revenue) in the first nine months of 2020. The change is due mainly to higher expenses relating to planning and preparations for our 5G wireless network.

Other operating income and expenses fell from €22.6 million in the first nine months of 2019 to €16.5 million in the first nine months of 2020. Impairment losses on receivables and contract assets amounted to €55.8 million (9M 2019: €58.3 million).

EBITDA in the first nine months of 2020 amounted to €456.6 million (9M 2019: €508.7 million) and was down 10.2 percent over the previous year. Beside the overcharged billing for an advance service of €35.4 million (9M 2019: €0,0 million) the EBITDA includes one-off expenses from the regulatory decision on subscriber line price increases (since 1 July 2019) of approximately €-8.2 million (9M 2019: €0.0 million) and additional expenses from the EU regulatory decision on costs of text messages (since 15 May 2019) in the amount of approximately €-5.5 million (9M 2019: €-1.0 million), one-off expenses from the ongoing integration projects of €-0.7 million (9M 2019: €-3.8 million) as well as costs relating to the planning and preparation of the 5G wireless network in the amount of €-8.4 million (9M 2019: €-2.5 million). In addition to these expected negative effects, the temporary change in customer use behaviour as a result of the coronavirus pandemic (particularly in the area of telephony and international roaming) in the first nine months of 2020 had a negative impact of €-17.7 million on the key earnings figures.

Excluding the above-mentioned effects, comparable EBITDA would have increased by 3.2 percent.

The EBITDA margin came to 16.2 percent (9M 2019: 18.6 percent).

Earnings before interest and taxes (EBIT) in the first nine months of 2020 amounted to €341.1 million (9M 2019: €391.3 million). The EBIT margin came to 12.1 percent (9M 2019: 14.3 percent). Excluding the effects from PPA write-offs, the EBIT amounted to €418.1 million and the EBIT margin to 14.9 percent (9M 2019: €476.8 million and 17.5 percent).

Financing costs amounted to €0.9 million in the first nine months of 2020 (9M 2019: €8.5 million). The significantly higher expenses in the same period of the previous year

resulted by and large from the conclusion of a line of credit with a European bank syndicate in January 2019 and the related one-off fees together with expenses relating to the provision of this line of credit, which was negotiated in preparation of the acquisition of the 5G frequencies. This credit line was terminated during fiscal year 2019. The financing expenses for fiscal year 2020 relate almost entirely to the financing components from leases in accordance with IFRS 16. Financing income in the first nine months of 2020 amounted to €0.7 million (9M 2019: €0.4 million).

Earnings before taxes (EBT) in the first nine months of 2020 amounted to €341.0 million (9M 2019: €383.2 million). Tax expenses amounted to €100.6 million (9M 2019: €115.5 million).

Consolidated earnings came to €240.3 million (9M 2019: €267.7 million).

Profit per share in the first nine months of 2020 came to €1.36 (9M 2019: €1.52). Excluding the effects of the PPA write-offs, the profit per share in the first nine months of 2020 amounted to €1.67 (9M 2019: €1.85).

#### Major revenue and profit indicators (in €m)

	9M 2020	9M 2019	Change
Revenue	2,813.7	2,729.6	+84.1
Service revenues	2,258.0	2,200.3	+57.7
EBITDA	456.6	508.7	-52.1
EBITDA margin (in %)	16.2	18.6	-2.4
EBIT	341.1	391.3	-50.2
EBIT margin (in %)	12.1	14.3	-2.2

#### Status of the negotiations regarding a national roaming agreement and price adjustment procedures

Besides the operating business, the first nine months of 2020 were marked by preparations for our own wireless communications network and the ongoing negotiations for a national roaming agreement that will be required during the transitional period in which we establish our network step-by-step. Discussions with the established network operators have not yet led to any results. In consequence, we formally involved the Federal Network Agency in the national roaming negotiations on 18 September 2020 and requested that this regulatory authority assume its role as arbitrator vis-à-vis Vodafone and Deutsche Telekom.

The terms and conditions of the 5G frequency auction in 2019 expressly stipulate that the Federal Network Agency will upon request act as an arbitrator to ensure that un-

reasonable national roaming conditions are not imposed on a new entrant such as 1&1 Drillisch and that the conduct of negotiations is free of any discriminatory practises.

Beside the suspended negotiations with Vodafone and Deutsche Telekom, negotiations with Telefónica regarding the conclusion of a national roaming agreement based on Telefónica's voluntary commitments under the EU Commission's approval decision for the merger with E-Plus and the regulation under the MBA MVNO contract are ongoing. The negotiations with Telefónica have been continuing for two years now. The subject of the negotiations also includes the prices applicable under the MBA MVNO contract per July 2020, because the prices of the MBA MVNO contract also apply to the national roaming agreement. The prices offered by Telefónica in this context would lead to significant additional costs for the usage of 20 percent of the Telefónica grid capacity compared to the first five years of the MBA MVNO contract, albeit at a lower level than the constantly high unit prices currently being invoiced by Telefónica. In our view, the prices offered by Telefónica for MBA and national roaming services are therefore not in line with the market and contradict Telefónica's voluntary commitments and the regulation under the MBA MVNO contract. Whether and on what terms an agreement is reached is therefore unforeseeable at present.

In the arbitration proceedings for the review of a price increase initiated by Telefónica in December 2018 in reference to the 2015 frequency auction in the one time amount of approx. €64 million, the arbitrator submitted a new draft of his expert opinion at the beginning of October. In the new draft of his expert opinion, the arbitrator comes to the conclusion that this price increase during the reviewed period (2016 to 2020) is unjustified in the full amount. There are therefore no payment obligations for 1&1 Drillisch. We expect the final arbitration report to become available by the end of the year. Otherwise, no further arbitrator proceedings initiated by Telefónica are pending.

Conversely, 1&1 Drillisch is demanding substantial retroactive reductions in the advance service prices pursuant to the MBA MVNO contract from Telefónica in its price adjustment procedures 1, 2, 5 and 6.

### **Financial position**

Cash flow from operating activities declined from €390.2 million (9M 2019) to €347.8 million in the first nine months of 2020. Net cash inflow from operating activities increased significantly by €163.0 million from €227.5 million (9M 2019) to €390.5 million in 2020. This increase is mainly due to less cash locked in working capital, particularly given the late receipt of invoices for advance services. In the previous year, comparable invoices were available much earlier and were paid within the third quarter of 2019. Furthermore, the previous year's cash outflows were higher, in particular due to the reduction of trade accounts payable.

Cash flow from investments shows total net outgoing payments of €400.2 million during the reporting period (9M 2019: outgoing payments of €171.8 million). Payments of

€193.1 million (9M 2019: payments of €8.8 million) resulted from investments in intangible and tangible assets. A contractually agreed one-off payment of €165.0 million was scheduled to be made in the third quarter of 2020 for the first five-year extension phase of the MBA MVNO contract that began on 1 July 2020. The investment of free cash resulted in outgoing payments of €207.0 million (9M 2019: €163.0 million). They relate to the short-term investment of free cash at United Internet AG within the framework of the current cash management agreement.

Free cash flow, defined as net inflow of funds from operating activities less investments in intangible and tangible assets plus inflow of funds from disposals of intangible and tangible assets, amounted to €197.5 million in the first nine months of 2019 (9M 2019: €218.9 million). Ignoring the one-off payment results in a free cash flow of €362.5 million. The change in free cash flow is due above all to the late receipt of invoices for the procurement of the aforementioned advance services.

The cash flow from financing activities in the first nine months of 2020 related to disbursements of dividends in May 2020 in the amount of €8.8 million (9M 2019: €8.8 million) and to the repayment of finance leasing liabilities in the amount of €8.3 million (9M 2019: €4.6 million). In the same period of the previous year, outflow of funds resulted from the repayment of loans to United Internet AG and the acquisition of own stock in the amounts of €32 million and €3.8 million, respectively, and from the repayment of liabilities from utilisation rights in the amount of €5.0 million.

Cash and cash equivalents per 30 September 2020 amounted to €5.0 million in comparison with €31.8 million per 31 December 2019. In addition, there is a credit balance of €417.0 million available at all times as part of cash management.

### **Assets and liabilities**

The balance sheet total increased from €6,461.9 million per 31 December 2019 to €6,778.9 million per 30 September 2020.

Short-term assets rose from €1,309.2 million per 31 December 2019 to €1,549.2 million per 30 September 2020. The cash holdings disclosed in the short-term assets declined from €31.8 million to €5.0 million. Trade accounts receivable rose from €228.3 million per 31 December 2019 to €239.4 million per 30 September 2020. Receivables from associated companies increased from €215.3 million per 31 December 2019 to €419.8 million per 30 September 2020, €417.0 million of which (31 December 2019: €210.0 million) comprises receivables from the short-term investment of free cash at United Internet AG.

Short-term prepaid expenses increased from €62.1 million to €90.0 million and concern essentially prepaid utilisation fees that will not be recognised through expenditures until later periods. The line item short-term contract assets rose by €30.7 million from €498.1 million per 31 December 2019 to €528.8 million per 30 September 2020 and includes short-term receivables from customers with a term of up to one year from the revenue

realisation brought forward because of the application of IFRS 15. The line items costs for contract acquisition and costs for contract fulfilment include the short-term expenditures related to customer acquisition and costs of contract fulfilment during the term of the contracts. They declined in total by €7.8 million from €149.7 million per 31 December 2019 to €141.9 million per 30 September 2020.

Inventories declined by €10.6 million from €79.2 million per 31 December 2019 to €68.6 million. Other short-term financial assets increased slightly from €28.9 million per 31 December 2019 to €32.1 million. Other non-financial assets increased from €15.8 million to €23.6 million and concern primarily short-term claims for income and value-added taxes.

Long-term assets increased in total from €5,152.7 million per 31 December 2019 to €5,229.8 million per 30 September 2020. Intangible assets increased from €1,686.0 million per 31 December 2019 to €1,769.5 million per 30 September 2020. Goodwill remains unchanged from the previous year at €2,932.9 million. The assets determined as part of the 1&1 Drillisch purchase price allocation were reduced as scheduled by depreciation and amortisation attributable to these items. Tangible assets increased from €64.5 million per 31 December 2019 to €105.3 million per 30 September 2020. The increase in the amount of €30.3 million is primarily due to additions related to the recognition of new rental obligations in accordance with IFRS 16.

The line items contract assets, costs for contract acquisition and costs for contract fulfilment include, analogously to the short-term assets, the long-term part of the receivables due from customers from the application of IFRS 15 and increased as a total by €5.4 million from €299.3 million per 31 December 2019 to €304.7 million per 30 September 2020. Long-term prepaid expenses fell from €168.3 million per 31 December 2019 to €115.5 million per 30 September 2020 and comprise basically advance payments made pursuant to long-term purchase contracts.

Total short-term debt increased from €548.9 million per 31 December 2019 to €607.3 million per 30 September 2020. Short-term trade accounts payable increased by €69.7 million to €336.1 million (31 December 2019: €266.4 million). The reason for the change was the late invoicing by an advance service provider. Accounts due to associated companies declined from €79.3 million per 31 December 2019 to €44.9 million per 30 September 2020. They relate to accounts due to United Internet AG and other group companies of the United Internet Group from purchase of advance services and other service charges. Short-term other financial liabilities increased by €11.4 million from €102.6 million to €114.0 million.

Contract liabilities include short-term liabilities from reimbursement obligations for one-time fees for revoked contracts and deferred income from one-time fees related to the application of IFRS 15. Income tax liabilities increased from €24.5 million per 31 December 2019 to €41.5 million per 30 September 2020.

Long-term liabilities rose from €1,272.2 million per 31 December 2019 to €1,297.8 million per 30 September 2020. The increase in long-term other financial liabilities to

€1,027.3 million (31 December 2019: €991.8 million) results in particular from increased leasing liabilities. Deferred tax liabilities fell by €9.4 million from €229.7 million per 31 December 2019 to €220.3 million per 30 September 2020. The contract liabilities in the amount of €6.4 million (31 December 2019: €5.0 million) include long-term income from one-time fees that is to be deferred in accordance with the application of IFRS 15.

Group equity rose from €4,640.8 million per 31 December 2019 to €4,873.8 million per 30 September 2020. The share capital remains unchanged at €193.9 million. The share capital is distributed in 176,764,649 no-par shares issued to the bearer with a proportionate share in the share capital of €1.10 each and represents the share capital of 1&1 Drillisch AG. In fiscal years 2018 and 2019, a total of 500,000 1&1 Drillisch AG shares were acquired as part of the stock repurchase programme, reducing the number of shares outstanding to 176,264,649 shares.

The balancing of the consolidated profit of €240.3 million per 30 September 2020 and the dividend disbursement of €8.8 million in May 2020 lead to an increase of the cumulative consolidated profit of €231.5 million. The equity ratio rose slightly from 71.8 percent per 31 December 2019 to 71.9 percent per 30 September 2020.

## SUPPLEMENTARY REPORT

On 8 October 2020, 1&1 Drillisch received the draft of the arbitrator's expert opinion in the proceedings for the review of a price increase by an advance service provider. In December 2018, the advance service provider referred to the 2015 frequency auction and retroactively increased the advance service prices of the MBA MVNO contract by a one-off amount of approximately €64 million.

The parties had stated their positions concerning the first draft opinion of 27 May 2020. The arbitrator acknowledged the submissions of both parties and confirmed the calculation method of his first draft expert opinion. The arbitrator concludes in the new draft of his expert opinion that the full amount of the price increase claimed by the advance service provider in December 2018 is unjustified in the reviewed period (2016 to 2020). Accordingly, the price increase from December 2018 will not result in a payment obligation for 1&1 Drillisch.

The parties may state their positions on the legal arguments of the new draft opinion. 1&1 Drillisch expects the final arbitration report to become available by the end of the year. Otherwise, no arbitration proceedings initiated by the advance service provider are pending.

Conversely, 1&1 Drillisch is demanding substantial retroactive reductions in the advance service prices pursuant to the MBA MVNO contract in its price adjustment procedures 1, 2, 5 and 6. These price adjustment procedures can only lead to an improvement in the purchasing conditions of 1&1 Drillisch, but cannot establish payment obligations on the part of 1&1 Drillisch.

## RISKS, OPPORTUNITIES AND FORECAST REPORT

The risk and opportunity policy of the 1&1 Drillisch Group is oriented to the goal of maintaining and sustainably increasing the Company's value by taking advantage of opportunities and identifying and controlling risks at an early stage. The risk and opportunity management as practised ensures that 1&1 Drillisch can carry out its business activities in a controlled corporate environment.

Risk and opportunity management regulates the responsible handling of uncertainties that are always associated with entrepreneurial activity.

### **Overall statement by the Management Board on the Group's risk and opportunity position**

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

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

To date, the risk situation in the risk areas of "procurement market" and "external risks – personnel crises" and others has not changed as a consequence of the global spread of the coronavirus (Sars-CoV-2) over the course of fiscal year 2020 in comparison with the presentation in the consolidated annual financial statements per 31 December 2019. The spread of the virus may have a negative impact on consumer and business demand, the procurement of advance services (e.g. smartphones, Wi-Fi routers, servers or network technology) or the health and fitness of employees, ultimately having a detrimental effect on the performance capability of 1&1 Drillisch. In addition, changes in use behaviour (e.g. lower travel activities) may also have long-lasting effects on the key earnings indicators.

By employing efficient risk management, 1&1 Drillisch counters identified risks and limits them, insofar as justifiable, to a minimum by implementing specific actions.

## OUTLOOK

The first five-year extension phase of the MBA MVNO contract between 1&1 Drillisch AG and Telefónica Germany GmbH & Co. OHG became effective on 1 July 2020. The MBA MVNO contract serves to implement Telefónica's voluntary commitments under the EU Commission's approval decision for the merger with E-Plus. Parallel to the long-running negotiations on the conclusion of a national roaming agreement, the parties are also conducting negotiations on the prices applicable under the MBA MVNO agreement per July 2020.

Despite the ongoing negotiations, on 18 September 2020, Telefónica submitted to 1&1 Drillisch MBA MVNO invoices for July and August 2020 based on advance service prices applicable from Telefónica's point of view without declaring that these invoices are subject to an agreement in the negotiations.

While the telephony and data prices per GByte have fallen steadily over the last five years due to the agreements of the MBA MVNO contract, Telefónica now expects the telephony prices per minute and data prices per GByte to remain at a constant level from July 2020 and for the coming years. The intent is for these prices to correspond to the average prices in the period from 1 July 2019 to 30 June 2020 and not to fall in the future. In addition, the provision of certain capacities for telephony and SMS, which were previously free of charge, is scheduled to cease. The price increase compared with the previous months that went into effect in July 2020 and the future discontinuation of annual price degeneration will lead to sharply rising additional costs each year, particularly because of the considerable annual data growth that is still expected.

Against this background, 1&1 Drillisch reduced its EBITDA forecast for 2020 as a precautionary measure in an ad hoc announcement on 19 September 2020 and now expects an EBITDA of approximately €600 million instead of approximately €683.5 million (the EBITDA of the previous year).

In terms of revenues, management refines the expected growth of service revenues, which have high margins and are sustainable, within the previous outlook to now approx. 2.5 percent (previous year: €2,943.0 million). At the beginning of the year we expected service revenues unchanged to previous year and increased this outlook to approx. 2 to 3 percent in August. Due to the modest demand from our customers for new smartphones and tablets, driven by the reduced number of tariff changers we now expect total revenue to grow by approx. 3 percent (previous year: €3,674.9). Initially we also planned total revenue unchanged to previous year and adjusted our outlook to approx. 4 percent in August. However, this fact will hardly impact the results due to its small margin.

This forecast is subject to uncertainties as an exact assessment of the duration and further effects of the coronavirus pandemic is impossible at this time and the outcome of the ongoing negotiations cannot be predicted.

1&1 Drillisch considers the advance service prices demanded by Telefónica per 1 July 2020 to be inconsistent with Telefónica's voluntary commitments under the EU Commission's approval decision on the merger with E-Plus and the MBA MVNO contract. From the point of view of 1&1 Drillisch, solely regulations for the determination of maximum prices per bitstream component were set forth in this agreement for the two five-year extension periods starting on 1 July 2020. In addition, the unit prices (per GByte, voice minute and text message) to be determined within the framework of these maximum requirements must be based on market conditions and continue to decrease annually so that mobile communications rates in line with market requirements can continue to be offered.

1&1 Drillisch will take the measures necessary to protect its rights (including any claims for damages). 1&1 Drillisch is in contact with the EU Commission on this issue. In addition, the prices are the subject of ongoing price review procedures initiated by 1&1 Drillisch. Telefónica is blocking the appointment of an arbitrator for the two proceedings initiated in January and July 2020 (Price Review 5 and 6). 1&1 Drillisch has already filed an arbitration action for the appointment of an arbitrator for the Price Review 5 procedure and is preparing the necessary steps for the Price Review 6 procedure.

#### **Future-oriented statements and forecasts**

This quarterly release contains future-oriented statements that are based on the current expectations, assumptions and forecasts of the 1&1 Drillisch AG Management Board and the information available to the Board at this time. The future-oriented statements are subject to various risks and uncertainties and are based on expectations, assumptions and forecasts that may possibly prove in future to be false. 1&1 Drillisch AG does not guarantee that the future-oriented statements will prove to be correct, and it neither assumes any obligation, nor does it have the intention, to adjust or update any future-oriented statements made in this quarterly release.

# EXPLANATORY COMMENTS ON THE QUARTERLY RELEASE

## **Information About the Company**

1&1 Drillisch Group, together with 1&1 Drillisch Aktiengesellschaft, Maintal, the listed parent company (hereinafter: "1&1 Drillisch AG" or, along with its subsidiaries, "1&1 Drillisch" or "1&1 Drillisch Group"), is a telecommunications provider that operates solely and exclusively in Germany. With more than 14.6 million contracts, 1&1 Drillisch is a leading internet specialist and is authorised to use one of the largest fibre optic networks in Germany because of its affiliation with the company 1&1 Versatel GmbH, Düsseldorf (hereinafter: "1&1 Versatel GmbH"), which is a member of the United Internet AG corporate group. As a virtual wireless network operator, 1&1 Drillisch has guaranteed access to up to 30 percent of the capacity of Telefónica's wireless network in Germany (so-called Mobile Bitstream Access Mobile Virtual Network Operator = MBA MVNO). In addition, 1&1 Drillisch utilises capacities in Vodafone's wireless network. The Group's business unit Access offers landline and wireless network-based internet access products. They include, among others, chargeable landline and wireless access products and the related applications such as home networks, online storage, telephony, video on demand or IPTV.

The address and registered office of 1&1 Drillisch AG, the parent company of the group, is Wilhelm-Röntgen-Strasse 1-5 in 63477 Maintal, Germany. The Company is registered in the Commercial Register of the Hanau Local Court under the number HRB 7384.

## **Major accounting, valuation and consolidation principles**

The quarterly release of 1&1 Drillisch AG per 30 September 2020 was prepared, as were the consolidated annual financial statements per 31 December 2019, in accordance with the International Financial Reporting Standards (IFRS) as they are to be applied in the European Union (EU).

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

## **Use of assumptions and estimates**

During preparation of the quarterly release, management makes discretionary decisions as well as estimates and assumptions that affect the amounts of the income, expenses, assets and liabilities disclosed on the closing date and the disclosure of

contingent liabilities. The uncertainty related to these assumptions and estimates may lead to results that in future require substantial restatements in the carrying value of the relevant assets or liabilities.

### **Use of key financial indicators relevant to business management**

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

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

### **Miscellaneous**

All major subsidiaries are included in the consolidated interim financial statements. The scope of consolidation has changed as follows compared to the consolidated financial statements per 31 December 2019:

The shares in 1&1 Berlin Telecom Service GmbH, Berlin, were sold effective per 30 June 2020. This did not have any significant effects on the Group's earnings or financial position or on its assets and liabilities.

No companies have been acquired in the 2020 reporting period.

The quarterly release has not been audited in accordance with Section 317 Commercial Code [*Handelsgesetzbuch; HGB*] or reviewed by an auditor.

# CONSOLIDATED FINANCIAL STATEMENTS PER 30 SEPTEMBER 2020

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## CONSOLIDATED BALANCE SHEET

per 30 September 2020

	30/09/2020 €k	31/12/2019 €k
<b>ASSETS</b>		
<b>Short-term assets</b>		
Cash and cash equivalents	4,955	31,785
Trade accounts receivable	239,382	228,261
Receivables due from associated companies	419,833	215,329
Inventories	68,558	79,227
Contract assets	528,816	498,111
Costs of obtaining contracts	87,229	88,942
Costs of fulfilling contracts	54,666	60,747
Prepaid expenses	90,039	62,056
Other financial assets	32,114	28,923
Other non-financial assets	23,590	15,844
	<b>1,549,182</b>	<b>1,309,225</b>
<b>Long-term assets</b>		
Other financial assets	1,892	1,678
Tangible assets	105,294	64,496
Intangible assets	1,769,457	1,686,027
Goodwill	2,932,943	2,932,943
Contract assets	188,061	173,747
Costs of obtaining contracts	78,120	81,985
Costs of fulfilling contracts	38,534	43,584
Prepaid expenses	115,453	168,259
	<b>5,229,754</b>	<b>5,152,719</b>
<b>TOTAL ASSETS</b>	<b>6,778,936</b>	<b>6,461,944</b>

	30/09/2020 €k	31/12/2019 €k
<b>LIABILITIES AND EQUITY</b>		
<b>Short-term liabilities</b>		
Trade accounts payable	336,109	266,369
Liabilities due to associated companies	44,883	79,294
Contract liabilities	39,276	40,314
Other provisions	6,366	6,559
Other financial liabilities	114,017	102,634
Other non-financial liabilities	25,134	29,256
Income tax liabilities	41,521	24,469
	<b>607,306</b>	<b>548,895</b>
<b>Long-term liabilities</b>		
Contract liabilities	6,350	4,960
Other provisions	43,942	45,670
Other financial liabilities	1,027,286	991,825
Deferred tax liabilities	220,264	229,748
	<b>1,297,842</b>	<b>1,272,203</b>
<b>TOTAL LIABILITIES</b>	<b>1,905,148</b>	<b>1,821,098</b>
<b>Equity</b>		
Share capital	193,891	193,891
Capital reserves	2,431,315	2,429,876
Cumulative consolidated results	2,249,558	2,018,055
Other equity	-976	-976
<b>TOTAL EQUITY</b>	<b>4,873,788</b>	<b>4,640,846</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>6,778,936</b>	<b>6,461,944</b>

# CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

from 1 January to 30 September 2020

	2020 January - September €k	2019* January - September €k
Sales	2,813,747	2,729,603
Cost of sales	-2,029,035	-1,915,456
<b>GROSS PROFIT FROM REVENUES</b>	<b>784,712</b>	<b>814,147</b>
Distribution costs	-331,053	-322,266
Administration costs	-73,258	-64,938
Other operating income / expenses	16,476	22,637
Impairment losses from receivables and contract assets	-55,765	-58,303
<b>RESULTS FROM OPERATING ACTIVITIES</b>	<b>341,112</b>	<b>391,277</b>
Financing expenses	-855	-8,501
Financial income	702	375
<b>PROFIT BEFORE TAXES</b>	<b>340,959</b>	<b>383,151</b>
Tax expenses	-100,643	-115,454
<b>CONSOLIDATED PROFIT</b>	<b>240,316</b>	<b>267,697</b>
<b>Profit per share (in €)</b>		
- undiluted	1,36	1,52
- diluted	1,36	1,52
<b>Weighted average number of shares outstanding (in millions)</b>		
- undiluted	176,26	176,34
- diluted	176,26	176,34
<b>Rollover to total consolidated profit</b>		
<b>CONSOLIDATED PROFIT</b>	<b>240,316</b>	<b>267,697</b>
Categories that may subsequently be reclassified in the profit and loss account (net)	0	0
Categories that will not subsequently be reclassified in the profit and loss account (net)		
- Net profits or losses from equity instruments that are measured at fair market value as non-operating results in other results	0	0
Other results	0	0
<b>TOTAL CONSOLIDATED PROFIT</b>	<b>240,316</b>	<b>267,697</b>

\* The consolidated comprehensive income statement January to September 2019 has been restated for better comparability.

## CONSOLIDATED CASH FLOW STATEMENT

from 1 January to 30 September 2020

	2020 January-September €k	2019 January-September €k
<b>RESULTS FROM OPERATING ACTIVITIES</b>		
Consolidated profit	240,316	267,697
<b>Allowances for rollover of consolidated results to incoming and outgoing payments</b>		
Depreciation on intangible and tangible assets	30,625	22,311
Depreciation on assets capitalised within the framework of corporate acquisitions	84,867	95,117
Personnel expenses from employee stock ownership programmes	1,439	3,469
Changes in the adjustment items for deferred tax assets	-9,484	1,620
Correction profits/losses from the sale of tangible assets	117	5
Other items not affecting payments	-67	0
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>347,813</b>	<b>390,219</b>
<b>Changes in assets and liabilities</b>		
Change in receivables and other assets	-22,056	28,014
Change in contract assets	-45,019	-72,170
Change in inventories	10,669	19,753
Change in costs of obtaining and fulfilling contracts	16,708	8,241
Change in deferred expenditures	24,823	-17,924
Change in trade accounts payable	69,746	-102,681
Change in other provisions	-1,703	-5,554
Change in income tax liabilities	17,051	-24,358
Change in other liabilities	4,145	31,590
Change in receivables due from/liabilities due to associated companies	-32,026	-20,919
Change in contract liabilities	352	-6,733
<b>Changes in assets and liabilities, total</b>	<b>42,690</b>	<b>-162,741</b>
<b>Net inflow of funds from operating activities</b>	<b>390,503</b>	<b>227,478</b>

	2020 January-September €k	2019 January-September €k
<b>CASH FLOW FROM INVESTMENTS</b>		
Investments in intangible and tangible assets	-193,063	-8,767
Inflow of funds from disposal of intangible and tangible assets	98	184
Investments in other financial assets	-215	-238
Outflow of funds for the grant of loans to associated companies	-207,000	-163,000*
Reimbursements from other financial assets	0	2
<b>Net outflow of funds in investment sector</b>	<b>-400,180</b>	<b>-171,819</b>
<b>CASH FLOW FROM FINANCING SECTOR</b>		
Dividend payment	-8,813	-8,813
Repayment of leasing liabilities and rights of use	-8,340	-9,602
Acquisition of treasury stock	0	-3,844
Outflow of funds to associated companies in repayment of loans	0	-32,000
<b>Net outflow of funds in financing sector</b>	<b>-17,153</b>	<b>-54,259</b>
Net decline/increase in cash and cash equivalents	-26,830	1,400
Cash and cash equivalents at beginning of fiscal year	31,785	3,968
<b>Cash and cash equivalents at end of reporting period</b>	<b>4,955</b>	<b>5,368</b>

\* Disclosed in the quarterly report Q3 2019 under cash flow from financing sector

## CONSOLIDATED CHANGE IN EQUITY STATEMENT

in Fiscal Years 2020 and 2019

	Share capital		Capital reserves	Cumulative consolidated results	Other equity	Total equity
	Denomination	€k	€k	€k	€k	€k
<b>Per 1 January 2019</b>	<b>176,363,945</b>	<b>194,000</b>	<b>2,433,531</b>	<b>1,653,248</b>	<b>-704</b>	<b>4,280,075</b>
Consolidated profit		0	0	267,697	0	267,697
<b>Total results</b>		<b>0</b>	<b>0</b>	<b>267,697</b>	<b>0</b>	<b>267,697</b>
Dividend payments		0	0	-8,813	0	-8,813
Employee stock ownership programme		0	3,469	0	0	3,469
Acquisition of own shares	-99,296	-109	-3,734	0	0	-3,844
<b>Per 30 September 2019</b>	<b>176,264,649</b>	<b>193,891</b>	<b>2,433,266</b>	<b>1,912,131</b>	<b>-704</b>	<b>4,538,584</b>
<b>Per 1 January 2020</b>	<b>176,264,649</b>	<b>193,891</b>	<b>2,429,876</b>	<b>2,018,055</b>	<b>-976</b>	<b>4,640,846</b>
Consolidated profit		0	0	240,316	0	240,316
<b>Total results</b>		<b>0</b>	<b>0</b>	<b>240,316</b>	<b>0</b>	<b>240,316</b>
Dividend payments		0	0	-8,813	0	-8,813
Employee stock ownership programme		0	1,439	0	0	1,439
<b>Per 30 September 2020</b>	<b>176,264,649</b>	<b>193,891</b>	<b>2,431,315</b>	<b>2,249,558</b>	<b>-976</b>	<b>4,873,788</b>

## SEGMENT REPORTING

from 1 January to 30 September 2020

	Access €k	5G €k	Miscellaneous €k	Consolidation €k	Total €k
Revenues with third parties	2,813,682	0	65	0	2,813,747
Intercompany revenues	3	0	9,140	-9,143	0
<b>SEGMENT REVENUES</b>	<b>2,813,685</b>	<b>0</b>	<b>9,205</b>	<b>-9,143</b>	<b>2,813,747</b>
Cost of materials external third parties	-1,961,231	0	-4	0	-1,961,235
Cost of materials from intercompany relationships	0	0	-3	3	0
<b>COST OF MATERIALS FOR SEGMENT</b>	<b>-1,961,231</b>	<b>0</b>	<b>-7</b>	<b>3</b>	<b>-1,961,235</b>
<b>GROSS PROFIT FOR SEGMENT</b>	<b>852,454</b>	<b>0</b>	<b>9,198</b>	<b>-9,140</b>	<b>852,512</b>
<b>SEGMENT EBITDA</b>	<b>465,460</b>	<b>-8,391</b>	<b>3,273</b>	<b>-3,739</b>	<b>456,603</b>
<b>Customer contracts (in millions)</b>	<b>14,68</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,68</b>

from 1 January to 30 September 2019\*

	Access €k	5G €k	Miscellaneous €k	Consolidation €k	Total €k
Revenues with third parties	2,729,512	0	91	0	2,729,603
Intercompany revenues	0	0	9,506	-9,506	0
<b>SEGMENT REVENUES</b>	<b>2,729,512</b>	<b>0</b>	<b>9,597</b>	<b>-9,506</b>	<b>2,729,603</b>
Cost of materials external third parties	-1,844,311	0	-16	0	-1,844,327
Cost of materials from intercompany relationships	0	0	-6	6	0
<b>COST OF MATERIALS FOR SEGMENT</b>	<b>-1,844,311</b>	<b>0</b>	<b>-22</b>	<b>6</b>	<b>-1,844,327</b>
<b>GROSS PROFIT FOR SEGMENT</b>	<b>885,201</b>	<b>0</b>	<b>9,575</b>	<b>-9,500</b>	<b>885,276</b>
<b>SEGMENT EBITDA</b>	<b>511,730</b>	<b>-2,531</b>	<b>3,222</b>	<b>-3,715</b>	<b>508,706</b>
<b>Customer contracts (in millions)</b>	<b>14,12</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,12</b>

\* The segment reporting January to September 2019 has been restated for better comparability.

# OTHER

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34 Contacts

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## FINANCIAL EVENTS CALENDAR

**10 November 2020**      Quarterly Statement Q3 2020

## CONTACTS

Our Investor Relations and Press Department will be glad to answer any questions you may have concerning 1&1 Drillisch AG and the 9-Month Report Statement.

### **Investor Relations:**

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## LEGAL INFORMATION

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

### Company Headquarters:

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### Commercial Register Entry:

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

### Management Board:

- » Ralph Dommermuth (CEO)
- » Markus Huhn
- » Alessandro Nava

### 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 9-Month Report is available in German and English. Both versions can also be downloaded from [www.1und1-drillisch.de](http://www.1und1-drillisch.de). In all cases of doubt, the German version shall prevail.

**Future-oriented Statements:**

This 9-Month 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.



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