

Interim Statement  
Q1 2021

## DATA & FACTS

Selected Performance Indicators	Q1 2021	Q1 2020	Change	Q4 2020	Q3 2020	Q2 2020
<b>PROFIT (IN €M)</b>						
Revenues	973.7	940.7	3.5%	973.1	932.6	940.4
Service revenues	762.1	747.8	1.9%	762.0	761.0	749.2
Hardware and Other revenues	211.6	192.9	9.7%	211.1	171.6	191.2
EBITDA	202.3	164.0	23.4%	11.9	127.0	165.6
<b>EBITDA operating</b>	<b>167.9</b>	<b>164.0</b>	<b>2.4%</b>	<b>161.8</b>	<b>141.4</b>	<b>165.6</b>
EBIT	162.6	126.4	28.6%	-28.0	87.0	127.7
<b>EBIT operating</b>	<b>128.2</b>	<b>126.4</b>	<b>1.4%</b>	<b>121.9</b>	<b>101.4</b>	<b>127.7</b>
<b>EBIT operating excluding PPA write-offs</b>	<b>149.3</b>	<b>154.2</b>	<b>-3.2%</b>	<b>143.0</b>	<b>122.8</b>	<b>155.5</b>
EBT	162.4	126.2	28.7%	-28.3	87.0	127.7
<b>EBT operating</b>	<b>128.0</b>	<b>126.2</b>	<b>1.4%</b>	<b>121.6</b>	<b>101.4</b>	<b>127.7</b>
<b>EBT operating excluding PPA write-offs</b>	<b>149.1</b>	<b>154.0</b>	<b>-3.2%</b>	<b>142.8</b>	<b>122.8</b>	<b>155.5</b>
Profit per share (in €)	0.64	0.50	28.9%	-0.12	0.32	0.55
<b>Profit per share operating (in €)</b>	<b>0.51</b>	<b>0.50</b>	<b>1.6%</b>	<b>0.48</b>	<b>0.37</b>	<b>0.55</b>
<b>Profit per share operating excluding PPA write-offs (in €)</b>	<b>0.59</b>	<b>0.61</b>	<b>-3.0%</b>	<b>0.56</b>	<b>0.46</b>	<b>0.66</b>
<b>CASH FLOW (IN €M)</b>						
Net inflow of funds from operating activities	101.2	105.0	-3.6%	60.2	192.8	92.7
Net outflow of funds in investment sector	-95.8	-123.6	22.5%	2.8	-190.6	-86.0
Free cash flow	97.6	97.5	0.1%	46.2	18.1	81.9
	<b>31/03/2021</b>	<b>31/12/2020</b>	<b>Change</b>	<b>31/12/2020</b>	<b>30/09/2020</b>	<b>30/06/2020</b>
<b>HEADCOUNT (INCL. MANAGEMENT BOARD)</b>						
Total per end of March	3,183	3,191	-0.3%	3,191	3,154	3,191
<b>CUSTOMER CONTRACTS (IN MILLIONS)</b>						
Access, contracts	14.97	14.83	0.9%	14.83	14.68	14.57
of which mobile internet	10.66	10.52	1.3%	10.52	10.36	10.24
of which broadband (ADSL, VDSL, FTTH)	4.31	4.31	0.0%	4.31	4.32	4.33
<b>BALANCE SHEET (IN €M)</b>						
Short-term assets	1,729.0	1,553.3	11.3%	1,553.3	1,549.2	1,578.1
Long-term assets	5,105.8	5,137.0	-0.6%	5,137.0	5,229.8	5,086.8
Shareholders' equity	4,967.8	4,853.8	2.4%	4,853.8	4,873.8	4,817.5
Balance sheet total	6,834.8	6,690.3	2.2%	6,690.3	6,778.9	6,664.9
Equity ratio	72.7%	72.5%		72.5%	71.9%	72.3%

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## LETTER FROM THE MANAGEMENT BOARD

### **Dear Shareholders,**

1&1 Drillisch AG got off to a good start in fiscal year 2021 – customer base, EBITDA and service revenue kept growing.

Thanks to the positioning of our brand names and products in mobile internet and broadband connections, we can be counted among the leading service providers in Germany, offering comprehensive services and outstanding value for money.

In the first tests of 2021 conducted by the respected trade magazine connect, our premium brand 1&1 once again took top honours:

- » In the “Mobile Communications Customer Barometer”, business customers crowned 1&1 the overall winner among the major mobile companies. A score of 2.0 and a total of 103 points secured first place for 1&1. Overall, respondents saw 1&1 as the strongest mobile brand as it posted the highest likeability scores, is the name they would most often recommend to friends and acquaintances and is the provider with the best value for money on the market.
- » In the “Service Test Mobile Service Hotlines”, 1&1 was with a score of 409 points and a rating of “Good” the test winner in the category “Hotlines of Alternative Providers”. The rating also resulted in an outstanding second place overall for 1&1 and featured ratings of “Excellent” in the categories of friendliness, waiting time and accessibility as well as “Good” for the quality of the statements.

In addition to the operating business, the preparations for the launch of our own mobile network dominated the first quarter. We are confident that we will be able to conclude a national roaming agreement in short order and subsequently to engage the partners for the construction of our high-performance 5G network. The terms and conditions offered by Telefónica with retroactive effect per July 2020 will in future return to pricing mechanisms similar to the first five years of the MBA MVNO contract. In particular, the agreement provides for annually decreasing data prices. This sharing of the Telefónica network assures our customers of nationwide mobile coverage even during the rollout phase of our 5G network.

### Now for the operating side of the business

During the first three months of 2021, we were able to increase the number of customer contracts over the final quarter of 2020 by 140,000 to 14.97 million contracts (Q4 2020: 14.83 million). While broadband lines remained unchanged at 4.31 million (Q4 2020: 4.31 million), customer contracts in the sector mobile internet rose by 140,000 to 10.66 million (Q4 2020: 10.52 million). The number of customer contracts in the mobile internet sector increased by 560,000 compared to Q1 2020.

Our revenues increased by 3.5 percent to €973.7 million (Q1 2020: €940.7 million). The high-margin service revenues increased in Q1 2021 by 1.9 percent to €762.1 million (Q1 2020: €747.8 million).

The other revenues – essentially from the realisation of hardware sales brought forward (in particular from investments in smartphones that will be reimbursed by the customers over the minimum contract term in the form of higher package prices) – increased during Q1 2021 by 9.7 percent to €211.6 million (Q1 2020: €192.9 million). Hardware sales during Q1 2021 were above expectations, but this business fluctuates according to season and is dependent on the attractiveness of new devices and model cycles of the equipment manufacturers.

The first quarter of 2021 continued to be impacted by the effects of the coronavirus pandemic. The situation also affected the use behaviour of our customers, especially as a result of travel restrictions and the extensive regulations for working from home. Whether and to what extent the use behaviour of customers will return to normal after the lifting of the restrictions in Germany is currently not foreseeable. The assumption, however, is that normalisation will be slow and proceed one step at a time.

Consolidated EBITDA (earnings before interest, tax, depreciation and amortisation) increased by €38.3 million to €202.3 million in the first three months of fiscal year 2021. This number includes €34.4 million income relating to other periods pursuant to the national roaming agreement currently under negotiation. Excluding this effect, **comparable operative EBITDA** would have grown by 2.4 percent to €167.9 million (Q1 2020: €164.0 million).

EBITDA in the “5G” segment amounts to €-7.2 million in the first quarter of 2021 (Q1 2020: €-2.8 million) and includes the costs related to the planning and realisation of the establishment of our own mobile network.

Free cash flow was with €97.6 million at the high level of prior year (€97.5 million in the first quarter 2020). Currently we have about €497.8 million as freely available cash at our disposal.

We expect growth to continue throughout the entire year 2021. We confirm our forecast and still expect an increase in service revenue to approximately €3.10 billion (2020: €3.02 billion). EBITDA is expected to increase (excluding the income of €34.4 million relating to other periods because of the planned signing of the national roaming agreement) to approximately €650 million (2020: €468.5 million). This forecast includes initial costs for

the establishment of the 5G network of €30 million.

We are in an excellent position to take the next steps in our corporate development and look ahead to the future with confidence.

Finally, we would like to express our heartfelt thanks to our employees for their continuous commitment and high motivation, which we appreciate particularly in the current situation. In addition, we want to express our gratitude to all shareholders, customers and business partners for the trust they have placed in us.

Best regards from Maintal,



Ralph Dommermuth



Markus Huhn



Alessandro Nava

Maintal, May 2021

# QUARTERLY RELEASE PER 31 MARCH 2021

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## STATUS OF THE NEGOTIATIONS REGARDING A NATIONAL ROAMING AGREEMENT

On 15 February 2021, 1&1 Drillisch accepted with binding effect the offer (general conditions and prices) for national roaming submitted by Telefónica Germany. This agreement secures access to up to 30 percent of the capacity of Telefónica Germany's mobile services network for 1&1 Drillisch and seamless coverage of the Company's own mobile services customers during the development of its own high-performance mobile services network. The offer accepted as binding by 1&1 Drillisch is currently still being converted into a national roaming contract. The Management Board of 1&1 Drillisch expects to be able to conclude the negotiations in short order.

The prices agreed in the national roaming agreement will apply retroactively as well to the current MBA MVNO agreement from July 2020. The national roaming agreement reverts to the pricing mechanisms similar to the first five years of the MBA MVNO agreement. In particular, it again provides for annual decreases in data prices that are lower than the prices that have been billed since July 2020. These quarterly financial statements have been prepared in consideration of the prices agreed under the national roaming agreement as both parties have committed to the conclusion of the national roaming agreement. The result is a positive effect on earnings of €34.4 million in Q1 2021 that is attributable to the second half of fiscal year 2020.

## COURSE OF BUSINESS

### **Development in the Segment "Access"**

The Group's chargeable mobile 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 its 14.97 million contracts mean it 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 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 Q1 2021, 1&1 Drillisch continued to invest 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 in the current product lines by 0.14 million to 14.97 million contracts in Q1 2021. The growth was entirely attributable to the mobile internet business, where the number of contracts was increased to 10.66 million. The number of broadband lines remained unchanged compared to the end of fiscal year 2020 at 4.31 million.

#### Development of contracts in the first three months of 2021 (in millions)

	31/03/2021	31/12/2020	Change Q1
Contracts in total	14.97	14.83	+0.14
of which mobile internet	10.66	10.52	+0.14
of which broadband lines	4.31	4.31	0.00

The group's operating business activities take place primarily in the reporting segment "Access". Revenues in the "Access" segment increased by €33.0 million (3.5 percent) to €973.7 million (Q1 2020: €940.7 million), and the high-margin service revenues included in this line item rose by 1.9 percent to €762.1 million (Q1 2020: €747.8 million). The first quarter of 2021 continued to be impacted by the effects of the coronavirus pandemic. The situation also affects the use behaviour of our customers, especially as a result of the travel restrictions and the extensive regulations for working from home. The circumstances led to negative effects on our revenue and earnings figures similar to those of the previous year. Whether and to what extent the use behaviour of customers will return to normal after the lifting of the restrictions in Germany is currently not foreseeable. The assumption, however, is that normalisation will be slow and proceed one step at a time.

Segment EBITDA is €209.5 million (Q1 2020: €166.8 million). The EBITDA includes income relating to other periods and to the national roaming agreement in the amount of €34.4 million.

Ignoring the out-of-period income would have led to a rise in the comparable operating EBITDA by 5.0 percent to €175.1 million (Q1 2020 year: €166.8 million).

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

	Q1 2021	Q1 2020	Change
Revenue (in €m)	973.7	940.7	+33.0
Service revenue (in €m)	762.1	747.8	+14.3
EBITDA (in €m)	209.5	166.8	42.7
<b>EBITDA operating (in €m)</b>	<b>175.1</b>	<b>166.8</b>	<b>+8.3</b>

### "5G" segment

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 mobile network are disclosed in the segment "5G". The first quarter of fiscal year 2021 was marked by the negotiations on a national roaming agreement, which is a necessary prerequisite for the network construction.

The EBITDA in the "5G" segment amounts to €-7.2 million (Q1 2020: €-2.8 million) and encompasses solely the expenditures relating to the acquisition of the 5G frequencies and the expenditures and income resulting from the preparations and the future establishment and operation of the Company's own 5G mobile network. As in the previous year, no revenues were realised in the "5G" segment.

## SITUATION OF THE CORPORATE GROUP

### Earnings Position

Contract business continues to be the growth driver for 1&1 Drillisch. The number of chargeable contracts increased by 0.14 million over 31 December 2020 to 14.97 million.

Sales revenues rose by 3.5 percent from €940.7 million in Q1 2020 to €973.7 million in Q1 2021. The increase resulted from the continued rise in the number of contract customers and the related monthly payments. The sustainable and high-margin service revenues increased by 1.9 percent to €762.1 million. Other sales revenues increased by 9.7 percent from €192.9 million in Q1 2020 to €211.6 million in the first three months of 2021. They 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 low-margin revenues. The hardware sales were above expectations in the first quarter, but this business fluctuates according to season and is highly dependent on the attractiveness of new devices and the model cycles of the hardware manufacturers.

Cost of sales declined in the first three months of 2021 by €16.6 million (2.5 percent) to €651.5 million (Q1 2020: €668.1 million). The cost of sales includes the positive effects of €34.4 million related to the national roaming agreement. Adjusted for income relating to other periods, there was an increase in cost of sales of €17.8 million (2.7 percent) to €685.9 million.

The gross profit margin came to 33.1 percent (Q1 2020: 29.0 percent). Gross profit in the first quarter of 2021 increased by €49.6 million (18.2 percent) from €272.6 million to €322.2 million. Adjusted for the income relating to other periods in cost of sales, gross profit in the first three months of 2021 amounted to €287.8 million (Q1 2020: €272.6 million) and the gross margin came to 29.6 percent (Q1 2020: 29.0 percent).

Distribution costs amounted to €114.3 million, 7.3 percent above the previous year's figure (€106.5 million). In relation to revenue, distribution costs in the first quarter of 2021 amounted to 11.7 percent (Q1 2020: 11.3 percent). The change results in particular from expenses relating to the sponsorship agreement with Borussia Dortmund (since July 2020).

Administrative expenses increased from €25.3 million in the first quarter of 2020 (2.7 percent of revenue) to €31.6 million in the first three months of 2021 (3.2 percent of revenue) in particular as a result of higher expenses related to the planning and preparations for our 5G mobile network.

Other result remained essentially constant at €4.1 million (Q1 2020: €4.6 million).

Impairment losses on receivables and contract assets amounted to €18.0 million (Q1 2020: €19.0 million).

EBITDA amounted to €202.3 million in the first quarter of 2021 (Q1 2020: €164.0 million), up by 23.4 percent over the figure for the same period last year. Excluding the income relating to other periods resulting from the national roaming agreement, comparable operating EBITDA would have increased by 2.4 percent to €167.9 million.

The EBITDA margin came to 20.8 percent (Q1 2020: 17.4 percent). The comparable operating EBITDA margin for the first quarter of 2021 was 17.2 percent.

Earnings before interest and taxes (EBIT) in Q1 2021 amounted to €162.6 million (Q1 2020: €126.4 million). The comparable operating EBIT (without €34.4 million non-period income) amounted to €128.2 million. The EBIT margin came to 16.7 percent (Q1 2020: 13.4 percent), the comparable operating EBIT margin came to 13.2 percent. Excluding the effects from PPA write-offs, the EBIT amounted to €183.7 million (comparable operating EBIT to €149.3 million) and the EBIT margin to 18.9 percent (comparable operating EBIT margin to 15.3 percent; Q1 2020: €154.2 million and 16.4 percent, respectively).

Financial results amounted to €-0.2 million (Q1 2020 year: €-0.1 million). Just as in the past, the financing expenses relate almost entirely to the financing components from leases in accordance with IFRS 16. As in the previous year, financial income resulted mainly from interest on the investment at United Internet AG.

Earnings before taxes (EBT) in Q1 2021 amounted to €162.4 million (Q1 2020: €126.2 million). The comparable operating EBT (without €34.4 million non-period income) amounted to €128.0 million.

After tax expenses in the amount of €48.7 million (Q1 2020: €38.0 million), the consolidated profit amounted to €113.7 million (Q1 2020: €88.2 million).

Undiluted profit per share in the first three months of 2021 came to €0.64 (Q1 2020: €0.50). Excluding the effects of the PPA write-offs, the undiluted profit per share in the first quarter of 2021 amounted to €0.73 (Q1 2020: €0.61). Undiluted comparable profit per share for the first quarter of 2021 came to 0.51. Excluding the PPA write-offs the undiluted profit per share amounted to 0.59.

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

	Q1 2021	Q1 2020	Change
Revenues	973.7	940.7	+33.0
Service revenues	762.1	747.8	+14.3
EBITDA	202.3	164.0	+38.3
<b>EBITDA operating</b>	<b>167.9</b>	<b>164.0</b>	<b>+3.9</b>
EBIT	162.6	126.4	+36.2
<b>EBIT operating</b>	<b>128.2</b>	<b>126.4</b>	<b>+1.8</b>

### Financial position

Cash flow from operating activities fell slightly compared to the first quarter of the previous year to €117.7 million (Q1 2020: €120.9 million). At €101.2 million, net cash inflows from operating activities were slightly below the figure for the comparable period of the previous year of €105.0 million. As in the previous year, the tie-up of funds rose above all because of the increase in hardware revenue compared to the previous year, for which repayment is usually made over the contract terms.

Cash flow from investing activities includes in particular payments for investments in intangible assets and tangible assets of €3.7 million (Q1 2020: €7.5 million) and the investment of free cash and cash equivalents of €92.0 million (Q1 2020: €116.0 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 €97.6 million in the first quarter of 2021 and remained virtually unchanged over the previous year (Q1 2020: €97.5 million).

Just as in the previous year, cash flow from financing activities related exclusively to payments for the repayment of lease liabilities (Q1 2021: €4.1 million; Q1 2020: €3.5 million).

Cash and cash equivalents per 31 March 2021 amounted to €5.8 million (31 December 2020: €4.4 million).

### **Assets and Liabilities**

The balance sheet total increased from €6,690.3 million per 31 December 2020 to €6,834.8 million per 31 March 2021.

On the assets side, the increase was attributable exclusively to short-term assets, which increased from €1,553.3 million per 31 December 2020 to €1,729.0 million per 31 March 2021. Cash and cash equivalents (31 March 2021: €5.8 million; 31 December 2020: €4.4 million) and trade receivables (31 March 2021: €233.5 million; 31 December 2020: €232.4 million) are essentially at the year-end level. Accounts due from associated companies increased from €400.9 million per 31 December 2020 to €495.1 million per 31 March 2021, €492.0 million of which (31 December 2020: €400.0 million) comprises essentially receivables from the short-term investment of free cash at United Internet AG.

Inventories increased by €7.1 million because of the balance sheet date. The short-term contract assets include in particular receivables from the sale of hardware. The increase of €28.4 million is due above all to the increase in hardware sales, which are recognised as soon as contracts are concluded while the repayment is usually made over the terms of the contracts. Prepaid expenses declined from €187.1 million to €176.5 million and concern essentially contract costs and prepaid utilisation fees that will not be recognised through expenditures until later periods. The decline relates mainly to the prepaid expenses for the prematurely terminated VDSL advance services contract. The new agreement for the procurement of FTTH and VDSL advance services has been in effect since April 2021.

Other short-term financial assets increased from €23.6 million per 31 December 2020 to €94.9 million and include, in particular, the expected claims from the reduction in advance services prices since July 2020 pursuant to the national roaming agreement. Other non-financial assets declined from €53.7 million to €36.5 million and concern primarily short-term claims for income and value-added taxes.

Long-term assets amount to €5,105.8 million per 31 March 2021 and have decreased slightly compared to 31 December 2020 (€5,137.0 million). The decline relates predominantly to the scheduled depreciation on the assets determined within the framework of the 1&1 Drillisch purchase price allocation. Goodwill remains unchanged at €2,932.9 million.

Long-term contract assets rose by €5.8 million to €201.8 million per 31 March 2021. Long-term prepaid expenses fell from €142.7 million per 31 December 2020 to €138.6 million per 31 March 2021 and comprise basically advance payments made pursuant to long-term purchase contracts and long-term capitalised costs to obtain and fulfil contracts.

On the liabilities side, €30.4 million of the increase in the balance sheet total is attributable to liabilities and €114.1 million to equity. Short-term liabilities rose from €574.6 million per 31 December 2020 to €608.3 million per 31 March 2021. Short-term liabilities due to related parties decreased from €55.8 million per 31 December 2020 to €37.1 million per 31 March 2021 because of deviating settlement. Trade accounts payable amount to €320.7 million (31 December 2020: €319.9 million). Contract liabilities continue to 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. Short-term other financial liabilities increased by €10.7 million from €106.3 million to €117.0 million. Income tax liabilities amount to €44.1 million (31 December 2020: €25.9 million).

Long-term liabilities amount to €1,258.7 million per 31 March 2021 over €1,262.0 million per 31 December 2020. Long-term liabilities in the amount of €886.4 million are unchanged with respect to the purchase price liabilities from the auction of the 5G mobile frequencies disclosed under other financial obligations. Deferred tax liabilities amount to €232.2 million per 31 March 2021 (31 December 2020: €234.0 million). The contract liabilities in the amount of €7.2 million (31 December 2020: €6.9 million) include deferred long-term income from one-time fees.

Group equity rose from €4,853.8 million per 31 December 2020 to €4,967.8 million per 31 March 2021. 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. Since the acquisition of treasury shares in fiscal years 2018 and 2019, the number of shares outstanding has been 176,264,649.

The increase in equity is mainly due to the consolidated profit of €113.7 million. The equity ratio rose slightly from 72.5 percent per 31 December 2020 to 72.7 percent per 31 March 2021.

## RISKS AND OPPORTUNITIES REPORT

The risk and opportunity policy of 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 Situation**

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 three months of 2021 compared with the risk and opportunity reporting in the 2020 consolidated financial statements. No risks to the continued existence of 1&1 Drillisch as a going concern were identifiable either from single risk positions or from the overall risk situation during the reporting period or at the time this quarterly release was prepared.

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 2021 in comparison with the presentation in the consolidated annual financial statements per 31 December 2020. 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.

## FORECAST REPORT

1&1 Drillisch is seeking further customer growth in fiscal year 2021 and is upholding the growth targets forecast in the 2020 consolidated financial statements. For the year 2021, 1&1 Drillisch expects an increase in the high-margin service revenues to approximately €3,100 million as well as the equivalent development of total revenues. The 1&1 Drillisch Management Board expects an EBITDA of approximately €650 million (without taking into account the income of €34.4 million relating to other periods that is a consequence of the conclusion of the national roaming agreement).

This forecast is subject to uncertainties due to the still unpredictable future course of the coronavirus pandemic and, as a consequence, potential sustainable changes in user behaviour of our customers.

### **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. Serving almost 15 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 mobile network operator, 1&1 Drillisch has guaranteed access to up to 30 percent of the capacity of Telefónica's mobile network in Germany (so-called Mobile Bitstream Access Mobile Virtual Network Operator = MBA MVNO). In addition, 1&1 Drillisch utilises capacities in Vodafone's mobile network. The Group's business unit Access offers landline and mobile network-based internet access products. They include, among others, chargeable landline and mobile 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 31 March 2021 was prepared, as were the consolidated annual financial statements per 31 December 2020, 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 2020 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 2020.

## **Use of Assumptions and Estimates**

During preparation of the quarterly release, management makes discretionary decisions as well as estimates and assumptions that affect the amounts of the income, expenses, assets and liabilities disclosed on the closing date and the disclosure of contingent liabilities. The uncertainty related to these assumptions and estimates may lead to results that in future

require substantial restatements in the carrying value of the relevant assets or liabilities.

### **Use of Financial Key Figures Relevant to Business Management**

Financial performance indicators such as EBITDA, EBITDA margin, EBIT, EBIT margin or free cash flow are used in addition to the disclosures required by the International Financial Reporting Standards (IFRS) in the Company's annual and interim financial statements to ensure a clear and transparent presentation of 1&1 Drillisch's business development. Information about the use, definition and calculation of these performance indicators is available starting on page 42 of the Annual Report 2020 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 not changed compared to the consolidated financial statements per 31 December 2020.

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

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## CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

from 1 January to 31 March 2021

	2021 January - March €k	2020 January - March €k
Sales	973,716	940,722
Cost of sales	-651,487	-668,149
<b>GROSS PROFIT FROM REVENUES</b>	<b>322,229</b>	<b>272,573</b>
Distribution costs	-114,250	-106,461
Administration costs	-31,555	-25,336
Other operating income / expenses	4,129	4,560
Impairment losses from receivables and contract assets	-17,962	-18,985
<b>RESULTS FROM OPERATING ACTIVITIES</b>	<b>162,591</b>	<b>126,351</b>
Financing expenses	-405	-260
Financial income	218	141
<b>PROFIT BEFORE TAXES</b>	<b>162,404</b>	<b>126,232</b>
Tax expenses	-48,736	-38,032
<b>CONSOLIDATED PROFIT</b>	<b>113,668</b>	<b>88,200</b>
<b>Profit per share (in €)</b>		
- undiluted	0.64	0.50
- diluted	0.64	0.50
<b>Weighted average number of shares outstanding (in millions)</b>		
- undiluted	176.26	176.26
- diluted	178.75	176.26
<b>Rollover to total consolidated profit</b>		
<b>CONSOLIDATED PROFIT</b>	<b>113,668</b>	<b>88,200</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>113,668</b>	<b>88,200</b>

## CONSOLIDATED BALANCE SHEET

per 31 March 2021

	31/03/2021 €k	31/12/2020 €k
<b>ASSETS</b>		
<b>Short-term assets</b>		
Cash and cash equivalents	5,776	4,360
Trade accounts receivable	233,467	232,437
Receivables due from associated companies	495,132	400,885
Inventories	92,494	85,366
Contract assets	594,180	565,793
Prepaid expenses	176,525	187,081
Other financial assets	94,928	23,639
Other non-financial assets	36,461	53,736
	<b>1,728,963</b>	<b>1,553,297</b>
<b>Long-term assets</b>		
Other financial assets	2,127	1,992
Tangible assets	122,778	122,800
Intangible assets	1,707,484	1,740,591
Goodwill	2,932,943	2,932,943
Contract assets	201,848	196,049
Prepaid expenses	138,642	142,665
	<b>5,105,822</b>	<b>5,137,040</b>
<b>TOTAL ASSETS</b>	<b>6,834,785</b>	<b>6,690,337</b>

	31/03/2021 €k	31/12/2020 €k
<b>LIABILITIES AND EQUITY</b>		
<b>Short-term liabilities</b>		
Trade accounts payable	320,683	319,866
Liabilities due to associated companies	37,089	55,800
Contract liabilities	45,104	44,110
Other provisions	4,226	5,299
Other financial liabilities	117,037	106,283
Other non-financial liabilities	39,998	17,269
Income tax liabilities	44,149	25,933
	<b>608,286</b>	<b>574,560</b>
<b>Long-term liabilities</b>		
Contract liabilities	7,152	6,917
Other provisions	45,750	46,444
Other financial liabilities	973,556	974,651
Deferred tax liabilities	232,193	234,005
	<b>1,258,651</b>	<b>1,262,017</b>
<b>TOTAL LIABILITIES</b>	<b>1,866,937</b>	<b>1,836,577</b>
<b>Equity</b>		
Share capital	193,891	193,891
Capital reserves	2,432,474	2,432,054
Cumulative consolidated results	2,342,503	2,228,835
Other equity	-1,020	-1,020
<b>TOTAL EQUITY</b>	<b>4,967,848</b>	<b>4,853,760</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>6,834,785</b>	<b>6,690,337</b>

## CONSOLIDATED CASH FLOW STATEMENT

from 1 January to 31 March 2021

	2021 January - March €k	2020 January - March €k
<b>RESULTS FROM OPERATING ACTIVITIES</b>		
Consolidated profit	113.668	88.200
<b>Allowances for rollover of consolidated profit to incoming and outgoing payments</b>		
Amortisation and Depreciation on intangible and tangible assets	16,039	6,454
Depreciation on assets capitalised within the framework of corporate acquisitions	23,645	31,223
Personnel expenses from employee stock ownership programmes	420	252
Changes in the adjustment items for deferred tax assets	-1,812	-5,600
Correction profits/losses from the sale of tangible assets	-4	417
Non-period items not affecting payments	-34,400	0
Other items not affecting payments	135	0
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>117,691</b>	<b>120,946</b>
<b>Changes in assets and liabilities</b>		
Change in receivables and other assets	-20,779	-17,940
Change in contract assets	-34,186	-7,908
Change in inventories	-7,128	6,683
Change in prepaid expenses	14,579	8,351
Change in trade accounts payable	817	19,963
Change in other provisions	-1,767	-622
Change in income tax liabilities	18,217	8,130
Change in other liabilities	33,525	4,849
Change in receivables due from/liabilities due to associated companies	-20,959	-37,235
Change in contract liabilities	1,230	-222
<b>Changes in assets and liabilities, total</b>	<b>-16,451</b>	<b>-15,951</b>
<b>Net inflow of funds from operating activities</b>	<b>101,240</b>	<b>104,995</b>

	2021 January - March €k	2020 January - March €k
<b>CASH FLOW FROM INVESTMENTS</b>		
Investments in intangible and tangible assets	-3,720	-7,482
Inflow of funds from disposal of intangible and tangible assets	95	4
Investments in other financial assets	-135	-100
Outflow of funds for the grant of loans to associated companies	-92,000	-116,000
<b>Net outflow of funds in investment sector</b>	<b>-95,760</b>	<b>-123,578</b>
<b>CASH FLOW FROM FINANCING SECTOR</b>		
Repayment of leasing liabilities and rights of use	-4,064	-3,468
<b>Net outflow of funds in financing sector</b>	<b>-3,468</b>	<b>-3,468</b>
Net decline/increase in cash and cash equivalents	1,416	-22,051
Cash and cash equivalents at beginning of fiscal year	4,360	31,785
<b>Cash and cash equivalents at end of reporting period</b>	<b>5,776</b>	<b>9,734</b>



## CONSOLIDATED CHANGE IN EQUITY STATEMENT

in Fiscal Years 2021 and 2020

	Share capital		Capital reserves	Cumulative consolidated results	Other equity	Total equity
	Denomination	€k	€k	€k	€k	€k
<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	88,200	0	88,200
<b>Total results</b>		<b>0</b>	<b>0</b>	<b>88,200</b>	<b>0</b>	<b>88,200</b>
Employee stock ownership programme		0	252	0	0	252
<b>Per 31 March 2020</b>	<b>176,264,649</b>	<b>193,891</b>	<b>2,430,128</b>	<b>2,106,255</b>	<b>-976</b>	<b>4,729,298</b>
<b>Per 1 January 2021</b>	<b>176,264,649</b>	<b>193,891</b>	<b>2,432,054</b>	<b>2,228,835</b>	<b>-1,020</b>	<b>4,853,760</b>
Consolidated profit		0	0	113,668	0	113,668
<b>Total results</b>		<b>0</b>	<b>0</b>	<b>113,668</b>		<b>113,668</b>
Employee stock ownership programme		0	420	0	0	420
<b>Per 31 March 2021</b>	<b>176,264,649</b>	<b>193,891</b>	<b>2,432,474</b>	<b>2,342,503</b>	<b>-1,020</b>	<b>4,967,848</b>

## SEGMENT REPORTING

from 1 January to 31 March 2021

	Access €k	5G €k	Total €k
Revenues with third parties	973,716	0	973,716
<b>Segment revenues</b>	<b>973,716</b>	<b>0</b>	<b>973,716</b>
Cost of sales external third parties	-651,487	0	-651,487
<b>Cost of sales for segment</b>	<b>-651,487</b>	<b>0</b>	<b>-651,487</b>
<b>Segment EBITDA</b>	<b>209,445</b>	<b>-7,170</b>	<b>202,275</b>
<b>Customer contracts (in millions)</b>	<b>14.97</b>	<b>-</b>	<b>14.97</b>

from 1 January to 31 March 2020

	Access €k	5G €k	Total €k
Revenues with third parties	940,722	0	940,722
<b>Segment revenues</b>	<b>940,722</b>	<b>0</b>	<b>940,722</b>
Cost of sales external third parties	-668,149	0	-668,149
<b>Cost of sales for segment</b>	<b>-668,149</b>	<b>0</b>	<b>-668,149</b>
<b>Segment EBITDA</b>	<b>166,790</b>	<b>-2,763</b>	<b>164,027</b>
<b>Customer contracts (in millions)</b>	<b>14.43</b>	<b>-</b>	<b>14.43</b>

# OTHER

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## FINANCIAL CALENDAR\*

<b>11 May 2021</b>	Quarterly Statement Q1 2021
<b>26 May 2021</b>	Annual General Meeting, Frankfurt am Main, virtual
<b>05 August 2021</b>	6-Month Report 2021, Press and Analyst Meeting
<b>09 November 2021</b>	Quarterly Statement Q3 2021

\* These provisional dates are subject to change.

## CONTACTS

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

### **Investor Relations:**

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

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

### **Press:**

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

Telephone: +49 (0) 61 81 / 412 620  
Telefax: +49 (0) 61 81 / 412 183  
E-Mail: [presse@1und1-drillisch.de](mailto:presse@1und1-drillisch.de)

## LEGAL INFORMATION

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

### Company Headquarters:

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

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

### Responsible:

1&1 Drillisch AG

### Investor Relations Contact:

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

### Commercial Register Entry:

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

### Management Board:

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

### Supervisory Board:

- » Kurt Dobitsch  
(Chairman since March 16, 2021)
- » Kai-Uwe Ricke (Deputy Chairman)
- » Dr Claudia Borgas-Herold
- » Vlasios Choulidis
- » Kurt Dobitsch
- » Norbert Lang
- » Michael Scheeren  
(until February 23, 2021)

**Disclaimer:**

Due to calculation processes, tables and references may produce rounding differences from the mathematically exact values (monetary units, percentage statements, etc.). This Quarterly Statement is available in German and English. Both versions can also be downloaded from [www.1und1-drillisch.de](http://www.1und1-drillisch.de). In all cases of doubt, the German version shall prevail.

**Future-oriented Statements:**

This Quarterly Statement contains certain forward-looking statements which reflect the current views of 1&1 Drillisch AG's management with regard to future events. These forward looking statements are based on our currently valid plans, estimates and expectations. The forward-looking statements made in this Interim Statement are only based on those facts valid at the time when the statements were made. Such statements are subject to certain risks and uncertainties, as well as other factors which 1&1 Drillisch often cannot influence but which might cause our actual results to be materially different from any future results expressed or implied by these statements. Such risks, uncertainties and other factors are described in detail in the Risk Report section of the Annual Reports of 1&1 Drillisch AG. 1&1 Drillisch does not intend to revise or update any forward-looking statements set out in this Interim Statement.



**1&1 DRILLISCH AG**

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

[www.1und1-drillisch.de](http://www.1und1-drillisch.de)