



# H1 2018 with Outlook

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- Business development HY1 2018
- Financial indicators HY1 2018
- Outlook

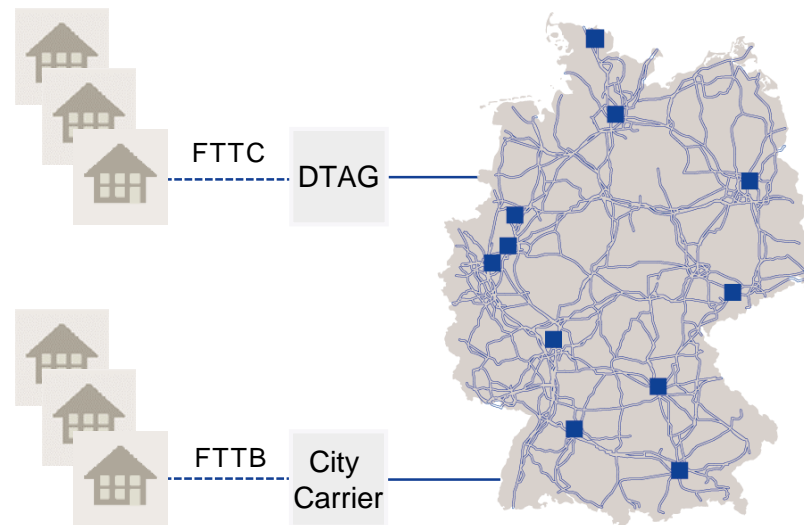
## Germany's leading MVNO and largest alternative DSL provider

	HY1 2017 (IAS 18)	HY1 2018 (IFRS 15)	Change
Subscribers in current product lines (total)	8.88	13.11	+4.23 million
- thereof Mobile Internet	4.57	8.73	+4.16 million
- thereof DSL / VDSL	4.31	4.38	+0.07 million
Revenues	1,276.5	1,819.0	+42.5%
EBITDA	210.1	340.1	+61.9%
<i>Margin</i>	16.,5%	18.7%	
EBIT	202.0	262.7	+30.0%
<i>Margin</i>	15.8%	14.4%	

- Largest alternative DSL provider serving 4.38m DSL contracts
- connect Landline Network Test: #1 in 2015, #2 in 2016, #1 in 2017, #2 in 2018

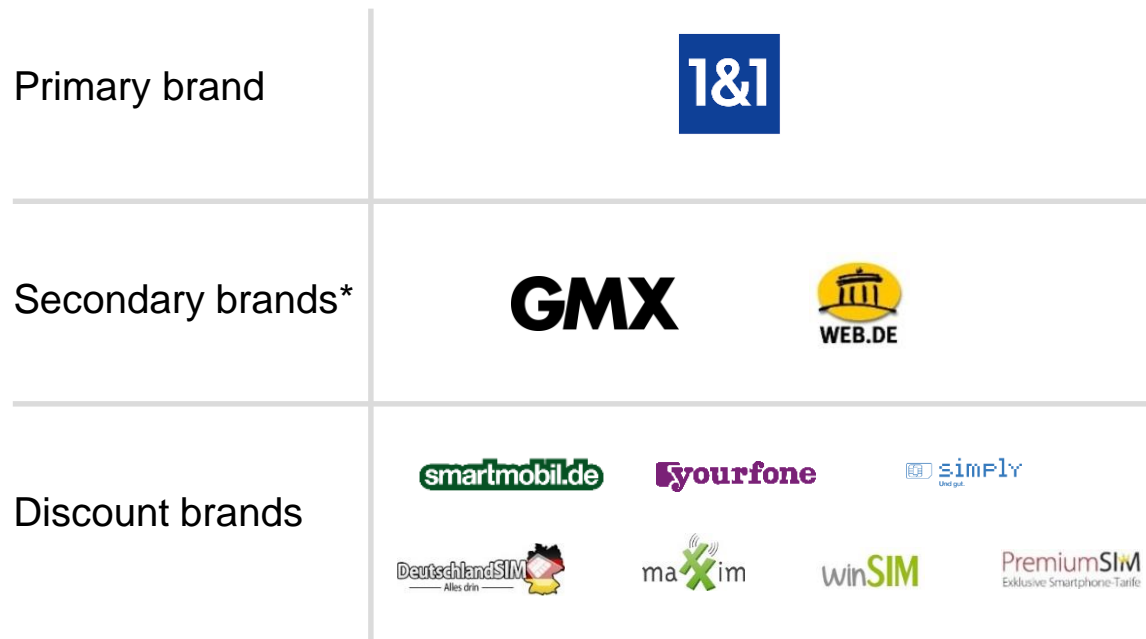


## Households



- Stepwise migration from ADSL to VDSL/vectoring
- Target infrastructure:  
Last mile via VDSL/vectoring of Deutsche Telekom (Layer 3, parallel expansion Layer 2 infrastructure) and via optic fibre of regional networks, connected with network of the affiliate 1&1 Versatel

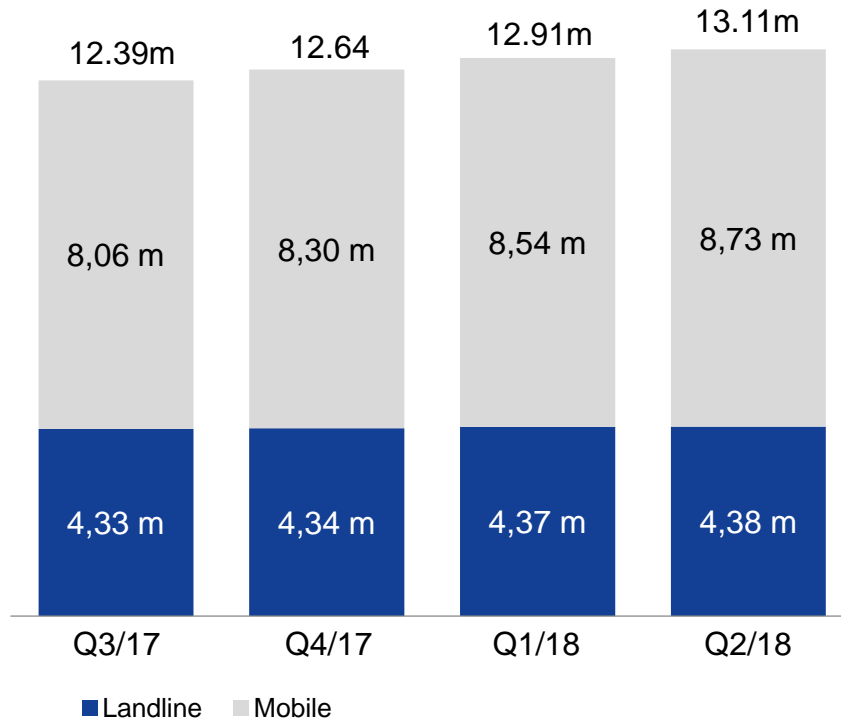
- Germany's leading MVNO serving 8.73 million mobile services contracts
- Broad market coverage



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

\*Positioning of offering comparable with the secondary brands of Deutsche Telekom, Vodafone and Telefónica

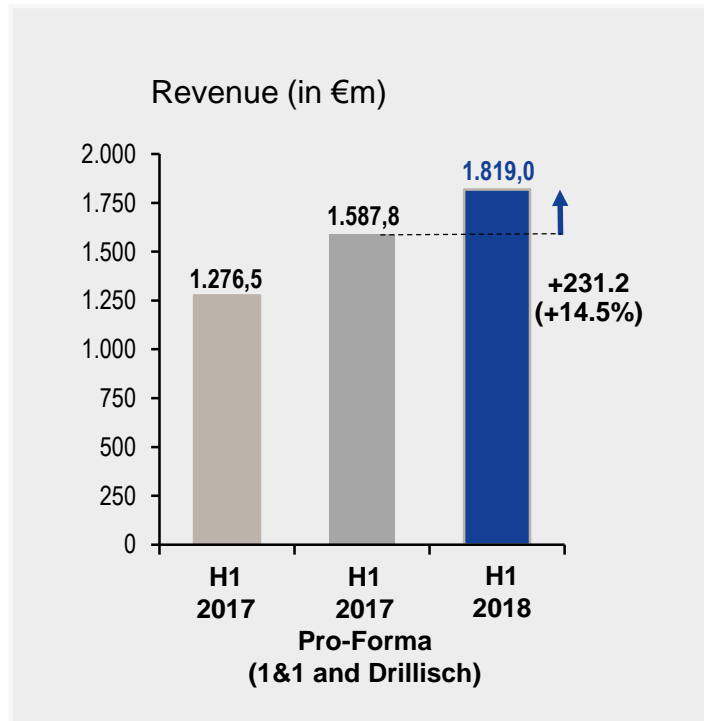
# Development of customer contracts



Net Adds mobile  
Q3/17: +250k  
Q4/17: +240  
Q1/18: +240  
Q2/18: +190

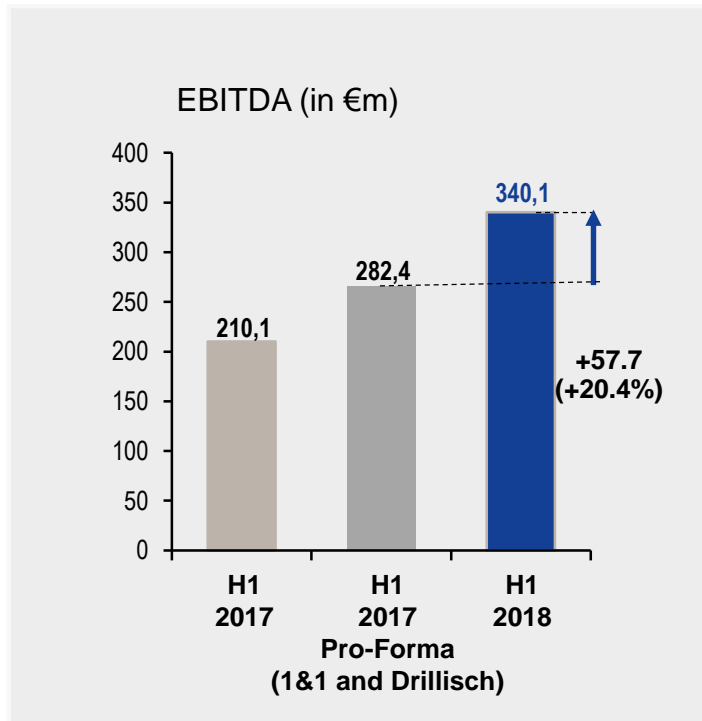
Net Adds landline  
Q3/17: +20  
Q4/17: +10  
Q1/18: +30  
Q2/18: +10

- 470k new contracts in HY1 2018; 990k over LTM



- HY1 2018:  
IFRS 15 effect of  
+€153.8 m. € (+9.7%) included





- HY1 2018:
  - IFRS 15 Effekt of
    - + €158.3 m included, offset
    - €158.3 m for additional smartphone invest
  - Furthermore:
    - €7.7 m (- 2.7%) One-Offs for integrations projects

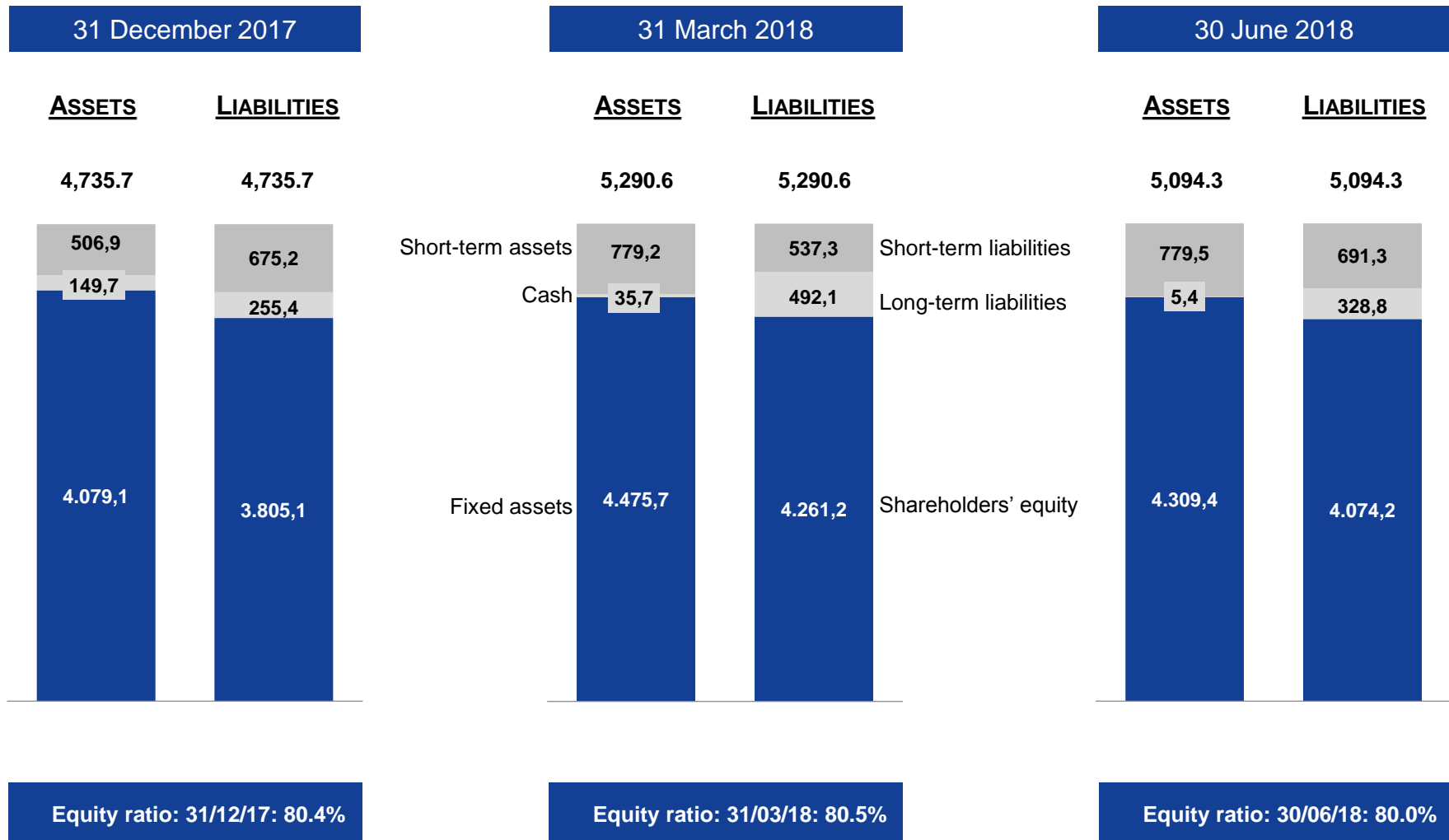
## Financial indicators HY1 2018

# Profitability Q2/18 v Q1/18 and HY1 2018

(in €m)	Q1/18 (IFRS 15)	Q2/18 (IFRS 15)	Change	HY1 2018
<b>Revenues</b>	904.3	914.7	+1.2%	1,819.0
Cost of sales	-640.8*	-646.8	+1.0%	-1,287.7
<b>Gross profit from turnover</b>	263.2	267.9	+1.6%	531.3
Distribution costs	-104.5*	-100.2	-4.1%	-204.7
Administration costs	-21.8	-23.4	+7.4%	-45.1
Other operating expenses	-20.8	-20.7	-0.4%	-41.5
Other operating income	10.6	12.1	+14.1%	22.7
<b>Profit/loss from operating activities</b>	127.0	135.7	+6.9%	262.7
<b>Financial result</b>	0.0	-0.2		-0.2
<b>Profit before taxes</b>	127.0	135.5	+6.7%	262.5
Tax expenses	-42.3	-40.9	-3.4%	-83.2
<b>Consolidated results</b>	84.7	94.6	+11.7%	179.3
<b>EBITDA</b>	165.5	174.5	+5.4%	340.1

\*Change in the amount of disclosure of €7.2 million in comparison with the quarterly release Q1 2018

# Balance sheet (in €m)

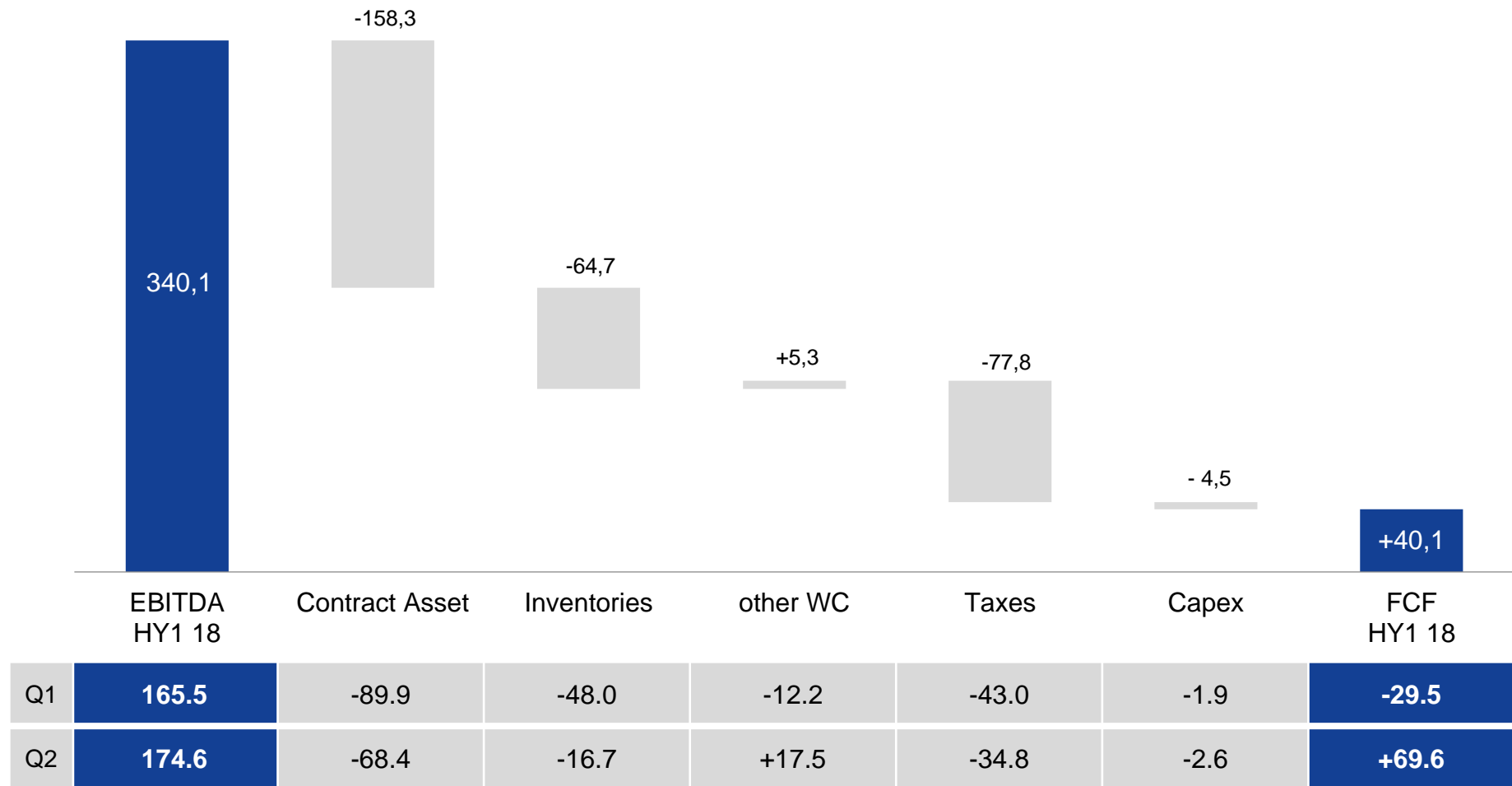


# Cash Flow

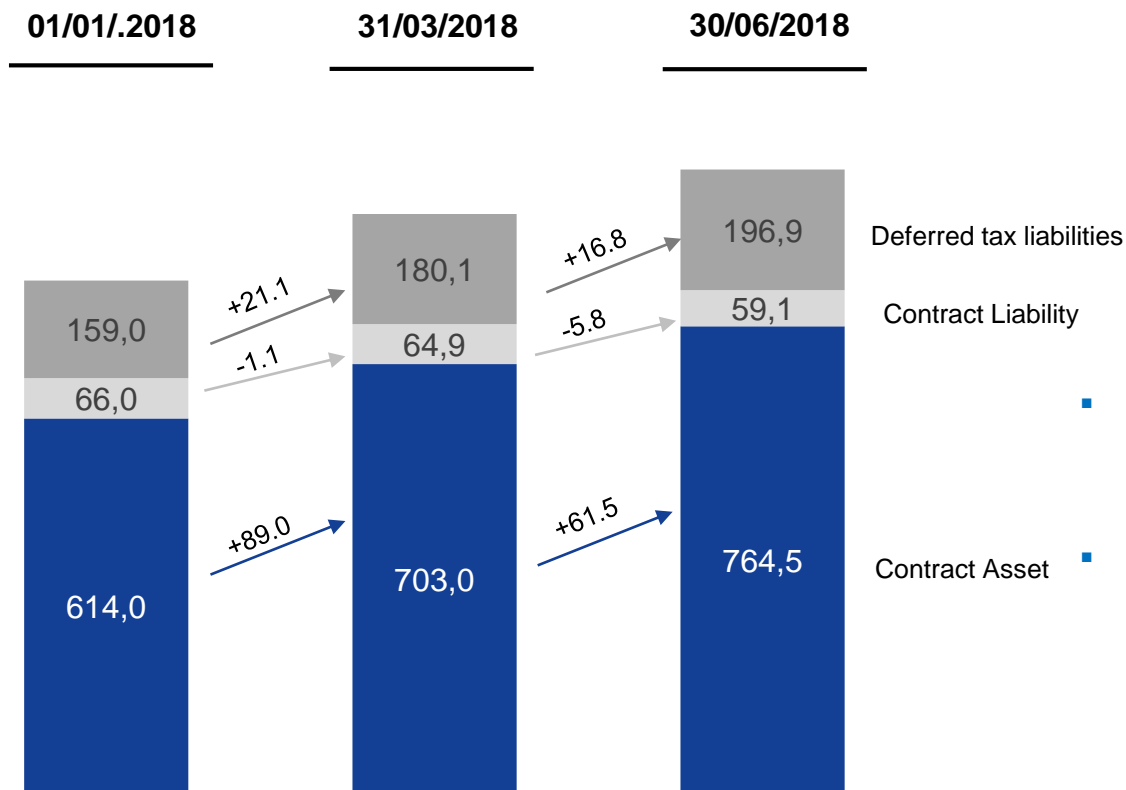
(in €m)	Q1/18	Q2/18	HY1 2018	Remarks
Net inflow of funds from operating activities	-27.6	72.2	44.6	<ul style="list-style-type: none"> <li>▪ Q1/18 -89.9m increase in contract assets -48.0m increase in inventories</li> <li>▪ Q2/18 -68.4m increase in contract assets -16.7m increase in inventories</li> </ul>
Cash flow from investment activities	-10.2	-2.5	-12.7	<ul style="list-style-type: none"> <li>▪ Q1/18 -1.9m Capex -8.3m retroactive outflow of funds from sale of yourfone Shop GmbH</li> <li>▪ Q2/18 -2.5m Capex</li> </ul>
Cash flow from financing activities	-76.1	-100.0	-176.1	<ul style="list-style-type: none"> <li>▪ Q1/18 -76.0m cash investment at United Internet</li> <li>▪ Q2/18 -282.8m dividend disbursement +183.0m net incurrence of cash at United Internet</li> </ul>
Free cash flow <sup>(1)</sup>	-29.5	69.6	40.1	

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

# Bridge EBITDA to FCF (in €m)

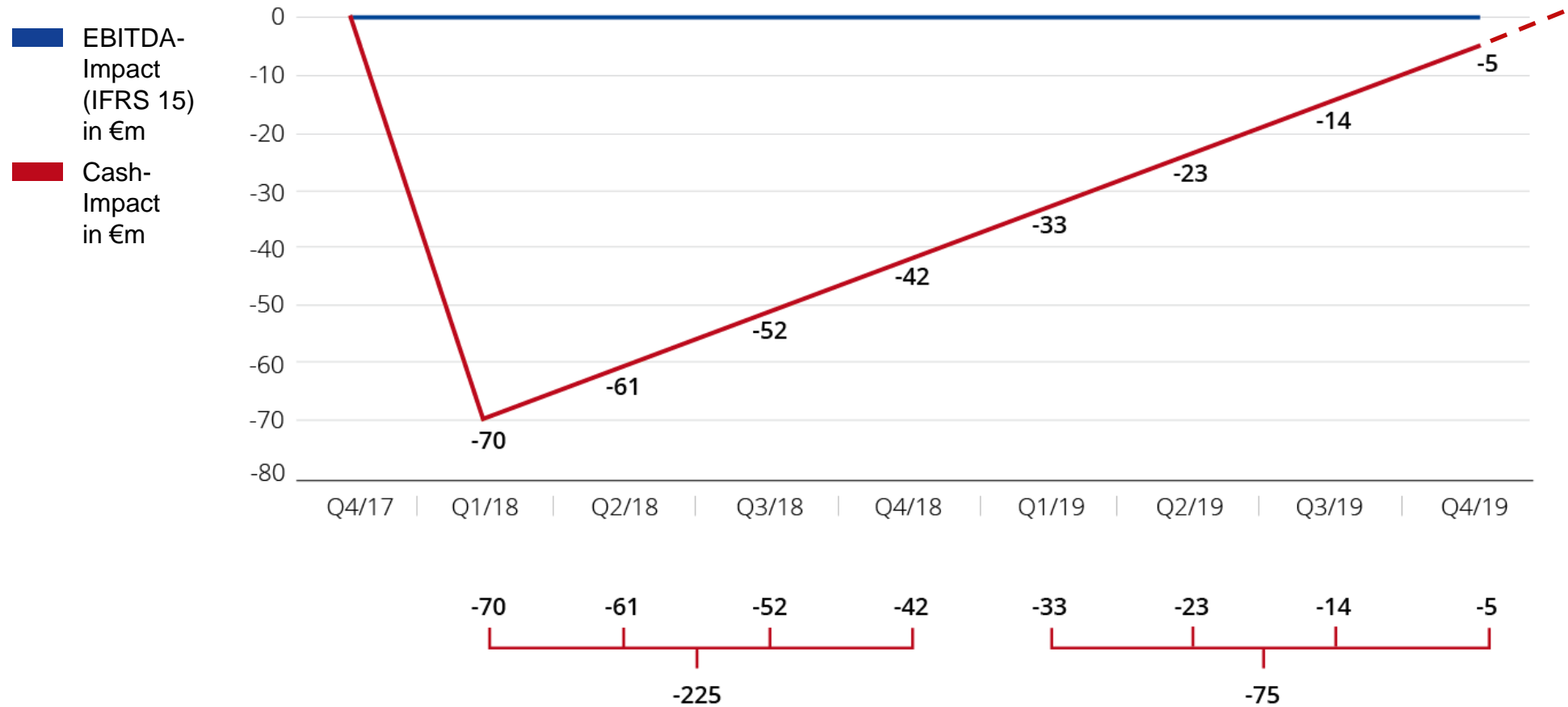


# IFRS 15 – Impact on Balance Sheet (in €m)



- Growth in contract assets results primarily from the investment in subscriber growth and retention of subscribers
- Hardware investment and other customer acquisition costs as well as non recurring income in connection with the conclusion of a contract are allocated over the term of the minimum contract period

# Example: EBITDA- / Cash-impact of Smartphone-Invest



Asumption: Increase of Hardware Investment to approximately €600 million (approx. €150m a quarter) as from 2018 from approximately €300 million p.a. (approx. €75m a quarter) in 2017



# Outlook

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- Increased smartphone use for new and current customers (returns from higher rate plan prices)  
=> realised
  - Unified management team => started work already
  - Merger of the organisations previously operating separately => ongoing process
  - Tightening of the trademark portfolio => ongoing process
  - Expansion of current customer marketing => ongoing process
  - Improvement in the retention process for discount brands => proven 1&1 process established

- Customers
  - No participation in the fiercer price competition (since May 2018) in the mobile-discount-segment.
  - Therefore, we expect a growth of approx. 1 million contracts to 13.64 million, instead of 1.2 million net adds due to a further increase of the sales performance.
  
- Revenue
  - Approx. €3.7 billion
  
- EBITDA
  - Approx. €750 million

Our Success Story  
Continues!

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