

**Acquisition of the
leading alternative fibre
operator in Germany**

versatel

Montabaur, September 3, 2014



■ Key transaction highlights

- **United Internet today announced the acquisition of the remaining 74.9% stake in Versatel from KKR in cash**
 - Total equity purchase price of € 586 mm
 - Implied blended firm value of € 963 mm corresponding to a blended FV / EBITDA 2014E multiple of 5.8x
- **Versatel is the leading alternative fibre operator in Germany**
 - Second largest fibre network in Germany behind Deutsche Telekom
 - The company expects 2014E revenues of € 548 mm (vs. € 547 mm in 2013) and EBITDA of € 164 mm (vs. € 155 mm in 2013) implying an EBITDA margin of 30% in 2014E
- **Versatel has shown a strong performance in its B2B and wholesale data business with attractive further upside to be exploited**
- **The transaction is expected to close in October 2014**

■ Key transaction terms

Perimeter

- Acquisition of the remaining 74.9% stake in Versatel from Kohlberg Kravis Roberts & Co. Partners in cash
 - United Internet acquired a 25.1% stake in Versatel in 2012 for a consideration of € 66 mm
- Transaction conducted through the full takeover of VictorianFibre Holding Beteiligungs-GmbH, Düsseldorf
- Post closing of the transaction, United Internet owning 100% of Versatel
- Versatel will be operated on a stand-alone basis, keeping the strong Versatel brand

Valuation

- Total equity purchase price of € 586 mm (74.9% stake)
- Implied blended firm value of € 963 mm corresponding to a blended FV / EBITDA 2014E multiple of c. 5.8 x

Financing

- Total consideration as well as Versatel's current net debt to be funded through new credit facilities

Conditions

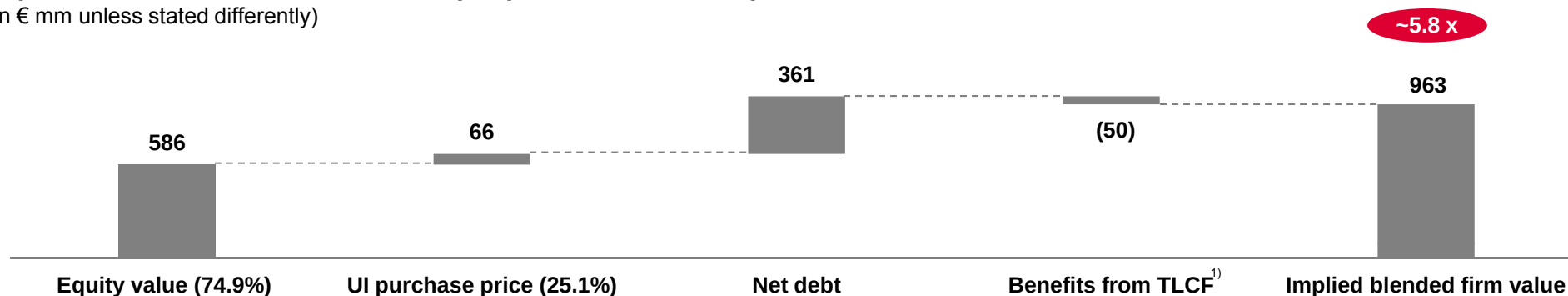
- Subject to regulatory approval by the German Federal Cartel Office ("Bundeskartellamt")
 - Closing expected in October 2014

Impact on United Internet

- Economic transfer as of July 1, 2014
- Full consolidation of Versatel post closing
- One-time non-cash profit of approximately € 100 mm in 2014

Implied blended United Internet multiple (FV / EBITDA 2014E)

(in € mm unless stated differently)



1) TLCF: Tax loss carry forwards

Versatel – The leading alternative fibre infrastructure in Germany

Versatel segment overview

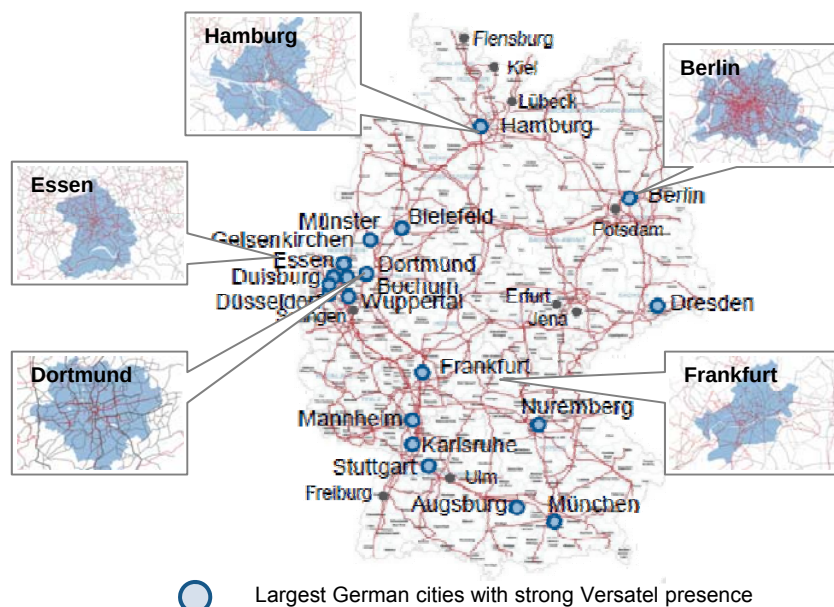
B2B / Consumer

- Including Broadband (Residential & B2B), VPN, Housing, Leased Lines and IP Voice / VAS
- Total ADSL / SDSL customer base of ~440 k
- Over 5,000 locations (corporates, public sector etc.) currently directly connected to Versatel's fibre network

Wholesale

- Including Dark Fibre, Voice, Mobile Backhaul, Colocation, Bandwidth and Ethernet
- Total customer base of ~110

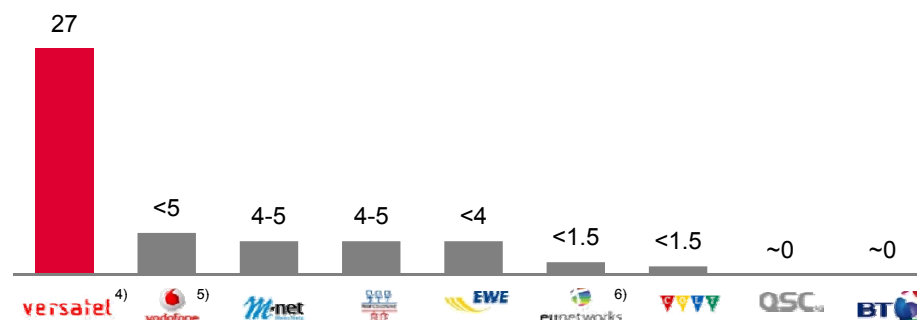
Versatel network overview



- 2nd largest fibre network in Germany (only behind Deutsche Telekom)
- 37,000 km fibre routes (of which ~27,000 km city route and ~10,000 km backbone)
- National scale network coupled with high density, broad city coverage of 226 city markets¹⁾
- Strong presence in 19 out of 25 largest German cities
- Customer fibre access to buildings is mostly via proprietary infrastructure, with high replacement costs
- Key financials
 - Sales 2014E of € 548 mm (vs. € 547 mm in 2013)
 - EBITDA 2014E of € 164 mm (vs. € 155 mm in 2013)
 - FCF²⁾ 2014E of € 79 mm (vs. € 75 mm in 2013)

Largest German alternative city fibre network

City fibre estimated route ('000 km)³⁾



1) Markets with >10km of fibre route; 2) EBITDA – capex – change in NWC – cash taxes; 3) Excludes cable operators due to technology; 4) Including HanseNet footprint; 5) Without KDG; 6) Network across Europe

■ Transaction rationale

1

Leading alternative fibre infrastructure operator in Germany

- Transaction positions United Internet as the leading alternative fibre infrastructure player in Germany with a nationwide fibre network
- Significant opportunity for United Internet's 1&1 to serve its customers with high bandwidth products based on its own infrastructure
- Potential to enter into and develop the growing wholesale data market

2

Attractive cash flow generation

- Ongoing shift to high margin businesses with attractive growth profile (B2B / wholesale data)
- Consistent and strong cash flow generation

3

Compelling service offering

- Versatel's comprehensive product portfolio, in particular on the B2B side, complements and enhances 1&1's Access service offering which is currently focused on consumer customers
- Based on its many years of market leadership in webhosting, 1&1 has a strong standing with small to mid-size companies and freelancers
- Combined company ideally positioned to strengthen its footprint across the entire customer spectrum from consumers, to SME as well as large corporates and the public sector

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Upside potential

- Large addressable market with low connection costs for new customers due to high density city coverage
- Versatel has currently only connected a minor portion of its estimated total market potential

■ Transaction rationale (cont'd)

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Continuation of city carrier consolidation strategy

- In the last years Versatel has been the German M&A consolidation platform for city carriers and altnets with a proven track record of accretive acquisitions
 - As recently proven by acquisitions of KielNET and the net infrastructure of HanseNet
- United Internet will support Versatel's management team to continue with its selective M&A roll-up strategy of city carrier assets

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Experienced and strong management team

- Current Versatel management team with proven success
 - Successful restructuring of business and refocus on B2B and wholesale
- Fully committed to staying with Versatel to deliver synergies and drive business performance

7

Revenue / cost synergy potential

- Total EBITDA run-rate synergies of € 55 mm expected by 2019
- Cumulative expected investment requirements of € 145 mm until 2019
 - In particular for the expansion of Versatel's infrastructure
- Limited integration costs and low execution risk given that Versatel will be operated on a stand-alone basis

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Additional benefits for United Internet

- Versatel's DSL customer base strengthens the position of United Internet as Germany's second largest DSL provider with 4.12 mm customers behind Deutsche Telekom with 12.36 mm customers
- EBITDA margin accretive from July 1, 2014 onwards

■ Sources of expected synergies

Annual cost saving potential of € 55 mm by 2019 requiring € 145 mm cumulative investment

- Installation of additional ADSL2+ / VDSL equipment
- Installation of vectoring equipment in a large number of Deutsche Telekom's points of interconnection
- Migration of existing and new 1&1 customers to the extended Versatel platform

■ Financial strength of the combined company

Pro-forma combined 2013 results

(in € mm unless stated differently)

			Combined
Revenues	2,656	547	3,202
EBITDA	407	155	562
% margin	15%	28%	18%
FCF	212	75 ¹⁾	287
% conversion	52%	48%	51%

1) EBITDA – capex – change in NWC – cash taxes

■ **Versatel 2014 outlook**

- **Revenues are expected to stabilize in 2014 based on improving product mix**
 - 2014 expected revenues of € 548 mm
- **Ongoing EBITDA margin improvements driven by product mix and initiated cost optimization measures**
 - 2014 expected EBITDA of € 164 mm (EBITDA margin approx. at 30%)
- **Free cash flow of € 79 mm expected in 2014**

**Our success story
continues!**