

UNITED INTERNET AG

**Annual General
Meeting**

**Alte Oper,
Frankfurt am Main**

May 18, 2017



AGENDA

Ralph Dommermuth

Company development 2016

Outlook

Strategic combination with Drillisch

Frank Krause

Results for fiscal year 2016 / Q1 2017

Share & dividend

Agenda

CORPORATE DEVELOPMENT IN 2016

HIGHLIGHTS OF FISCAL YEAR 2016

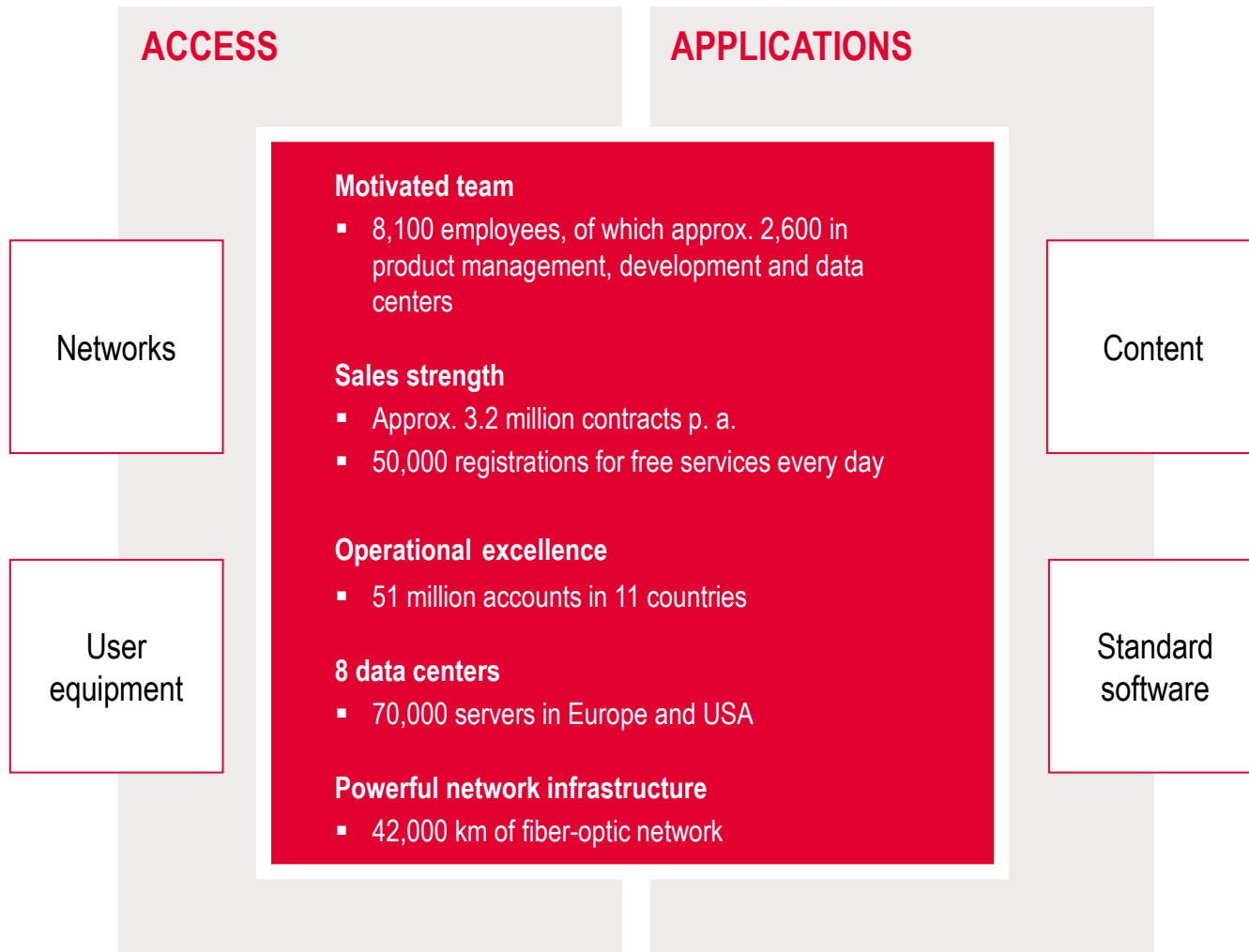
- 1 million additional customer contracts to 16.97 million
- Strong growth in sales and earnings

	2015*	2016	Change
Sales	€ 3.716 billion	€ 3.949 billion	+ 6.3%
EBITDA	€ 757.2 million	€ 840.6 million	+ 11.0%
EBIT	€ 541.7 million	€ 647.2 million	+ 19.5%
EPS, operative	€1.73	€2.13	+ 23.1%
EPS before PPA, operative	€1.89	€2.29	+ 21.2%
EPS, incl. Rocket impairment	€1.73	€0.88	- 49.1%
EPS before PPA, incl. Rocket impairment	€1.89	€1.04	- 45.0%

- € 254.6 million non-cash effective impairment of Rocket Internet shares
- Acquisition of 25.11% stake in Tele Columbus AG for a total of € 295.4 million
- 33.33% stake of Warburg Pincus in Business Applications division, based on an enterprise value of € 2.55 billion (closing Q1 2017)
- Acquisition of Strato AG together with Warburg Pincus for a total of approx. €600 million (closing Q1 2017; consolidation from April 1, 2017)

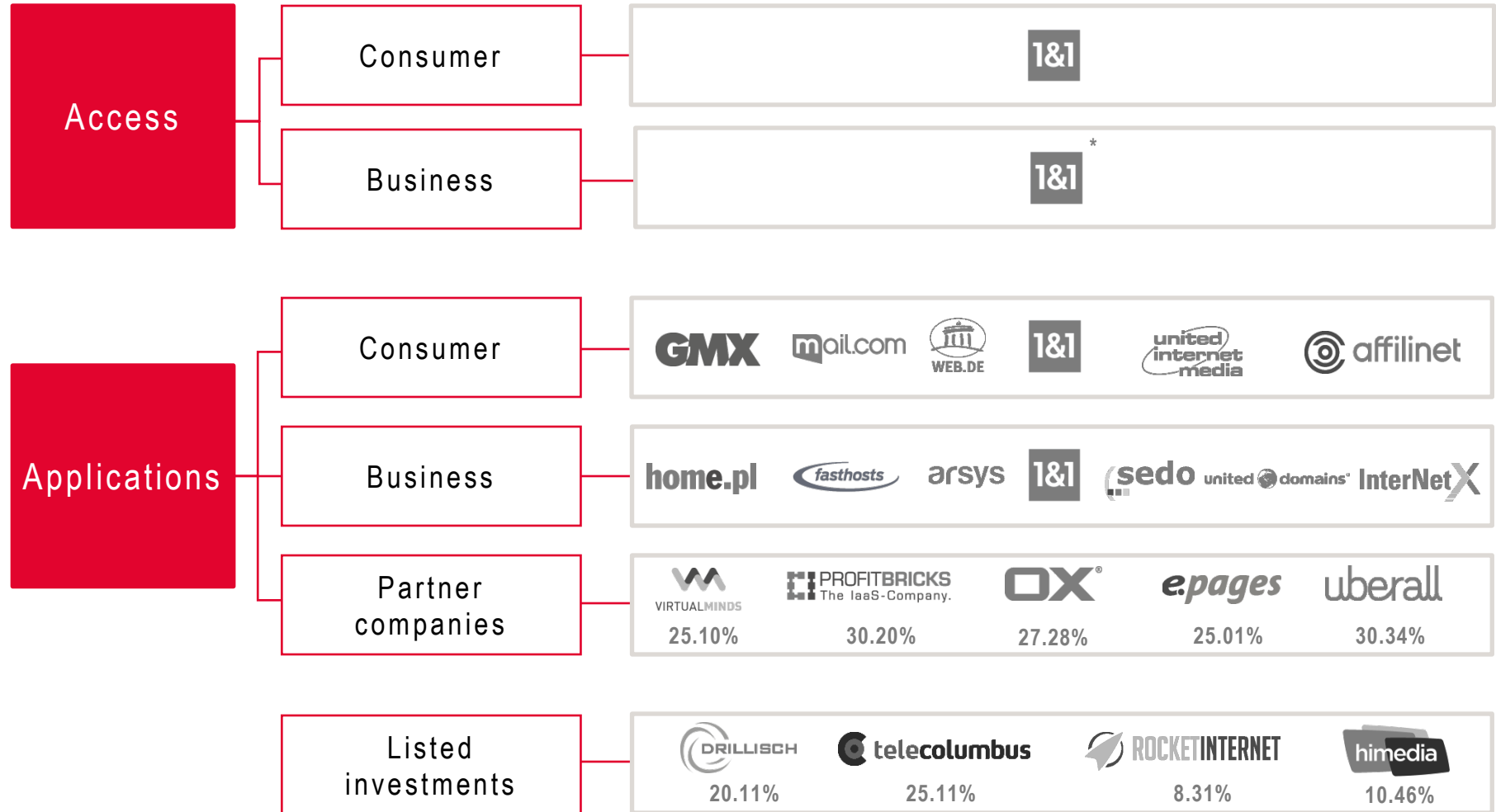
* 2015 without special items from the sale of shares in Goldbach and partial stake in virtual minds (EBITDA/EBIT effect: € +14m; EPS effect: €+0.07)

TWO SEGMENTS: ACCESS & APPLICATIONS



BRANDS & INVESTMENTS

(as of: December 31, 2016)



* Rebranding of Versatel GmbH effective from July 1, 2016

“ACCESS” IN FISCAL YEAR 2016

- CONSUMER ACCESS
- BUSINESS ACCESS

- CONSUMER APPLICATIONS
- BUSINESS APPLICATIONS

BUSINESS ACCESS

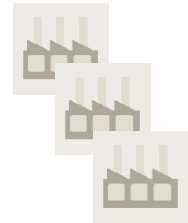
- Second largest German fiber-optic network
- Project business and plug-and-play solutions (since July 1, 2016) for medium-sized companies



**GLASFASER
DIREKT**

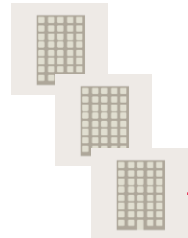
✓ Glasfaser-Anschluss für Firmen!
✓ Garantierte Gigabit-Bandbreite!
✓ Keine Baukosten bis zum Gebäude!

Commercial sector

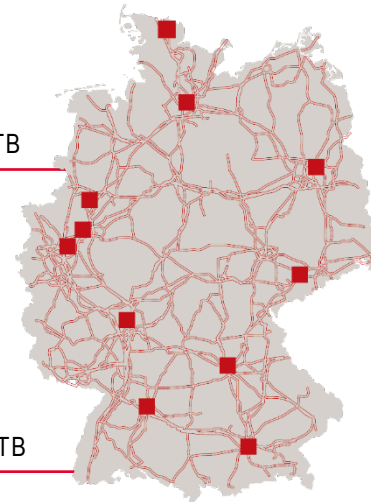


FTTB

Public sector



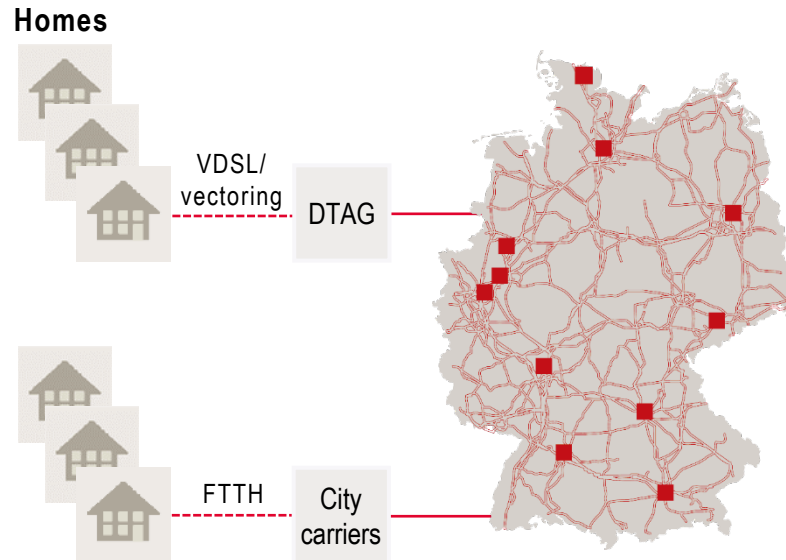
FTTB



- Fiber-optic network with a length of 41,644 km (prior year: 40,825 km)
- In 250 German cities, including 19 of the 25 largest cities

CONSUMER ACCESS

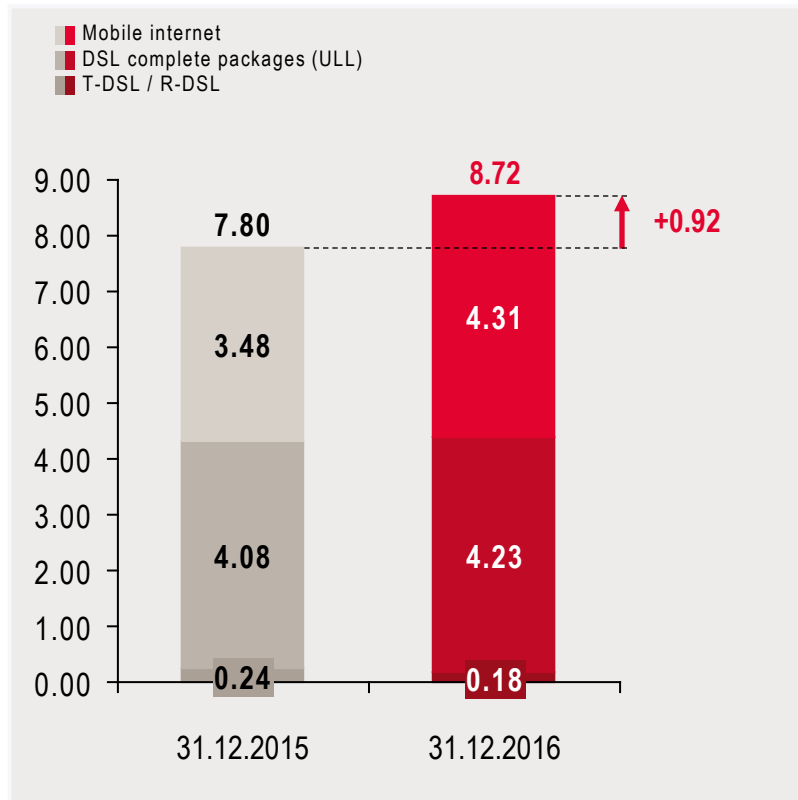
- Largest alternative German DSL provider
- “Inventor” of All-Net-Flat tariff



- Use of DTAG's VDSL/vectoring connections (successive expansion of Layer 2 infrastructure)
- FTTH connections of well-known city carriers

CONSUMER ACCESS: CUSTOMER CONTRACTS

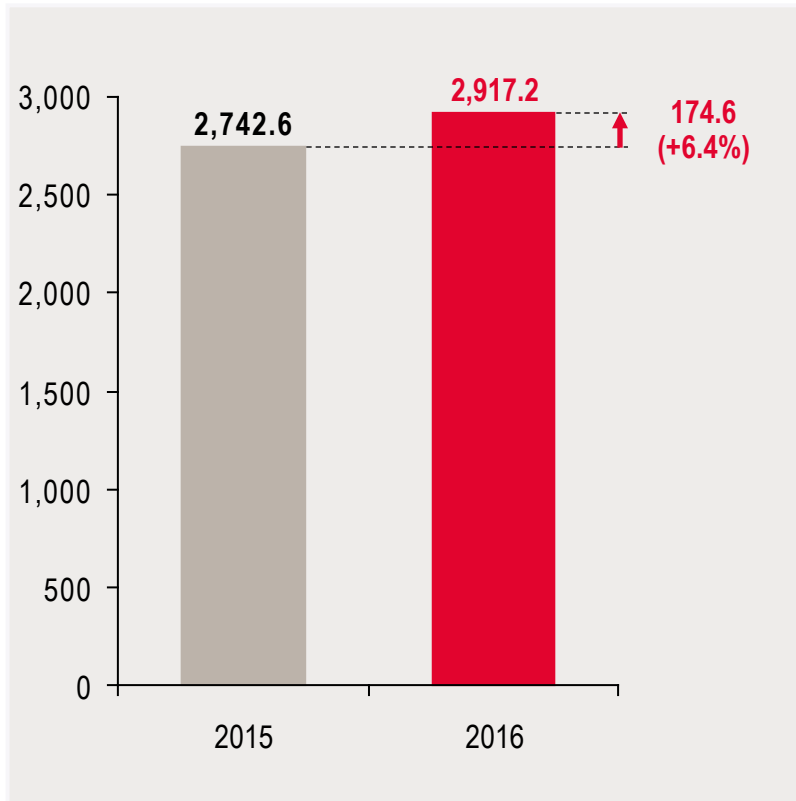
(in million)



- 8.72 million customer contracts (+ 920,000), of which
 - 4.31 million mobile internet contracts (+ 830,000)
 - 4.23 million DSL complete packages (+ 150,000)
 - 0.18 million T-DSL/R-DSL-connections – old business being phased out (-60,000)

ACCESS: SALES

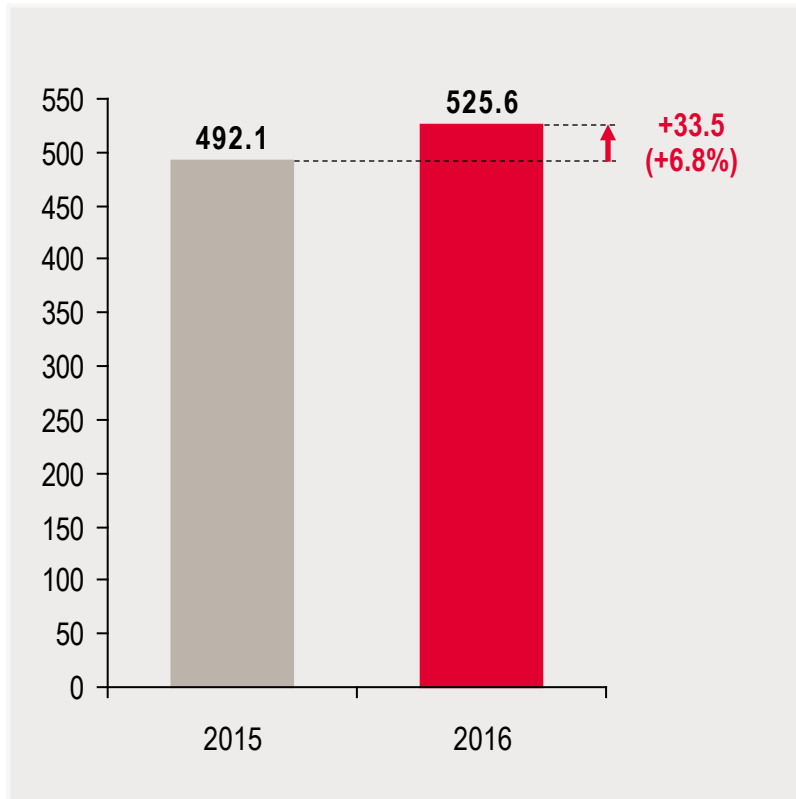
(acc. to IFRS in € million)



- €2.917 billion sales (+ 6.4%)

ACCESS: EBITDA

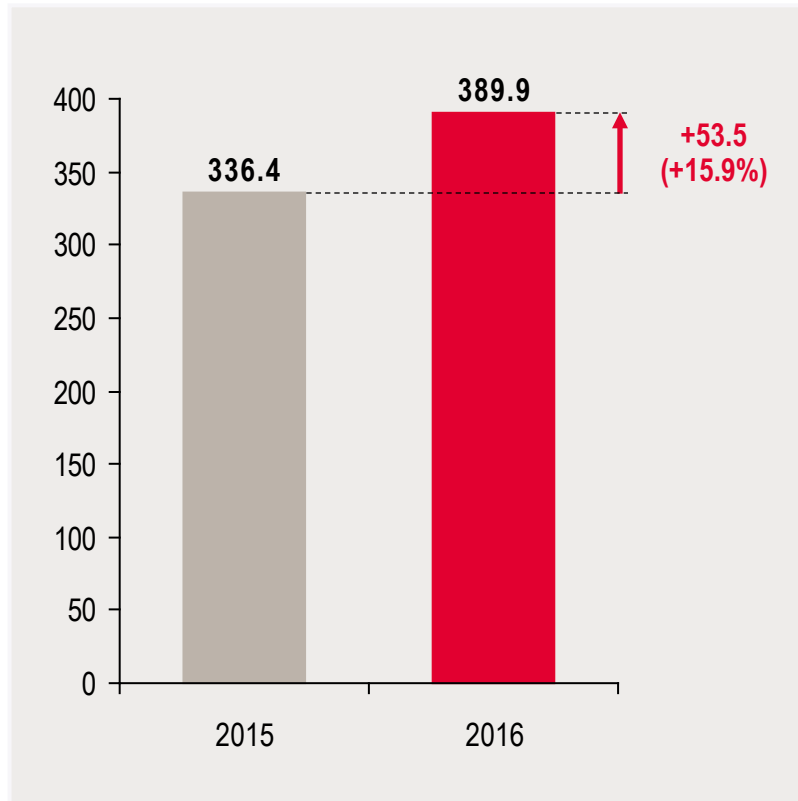
(acc. to IFRS in € million)



- €525.6 million EBITDA (+ 6.8 %)
- 18.0 % EBITDA margin (prior year: 17.9 %)

ACCESS: EBIT

(acc. to IFRS in € million)



- €389.9 million EBIT (+ 15.9 %)
- 13.4 % EBIT margin (prior year: 12.3 %)

“APPLICATIONS” IN FISCAL YEAR 2016

- CONSUMER ACCESS
- BUSINESS ACCESS

- CONSUMER APPLICATIONS
- BUSINESS APPLICATIONS

CONSUMER APPLICATIONS: FROM E-MAIL SERVICE TO COMMAND CENTER FOR COMMUNICATION, INFORMATION AND IDENTITY MANAGEMENT



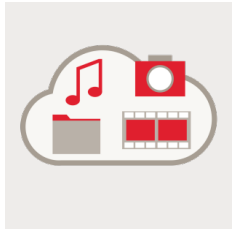
Communication and organization

E-mail, calendar, contacts, SMS, fax



Online office

Texts, spreadsheets, presentations



Cloud storage

For Photos, videos, music and documents



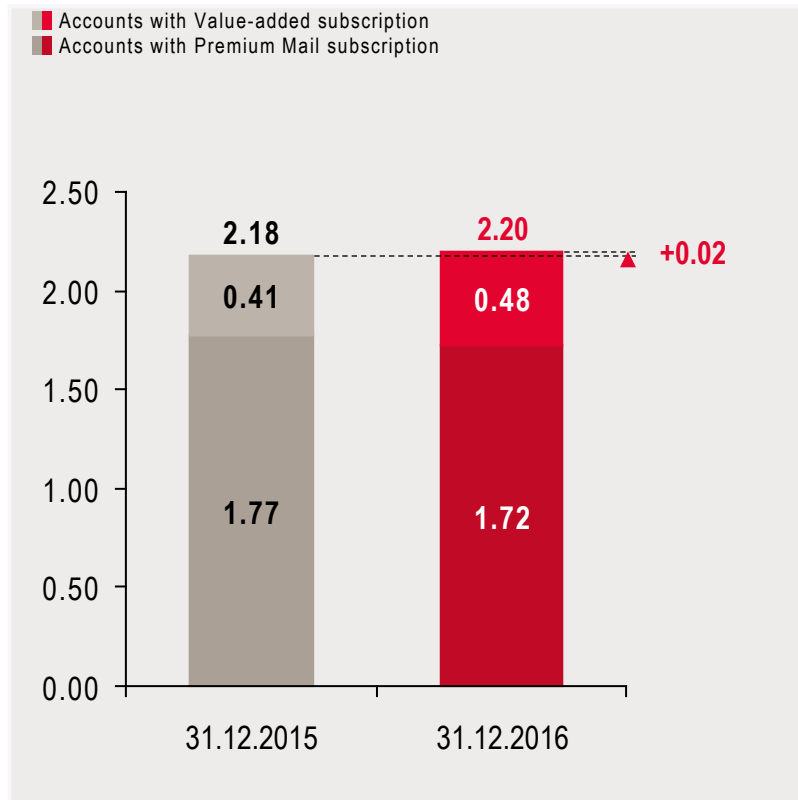
De-Mail

Legally secure communication and identity management



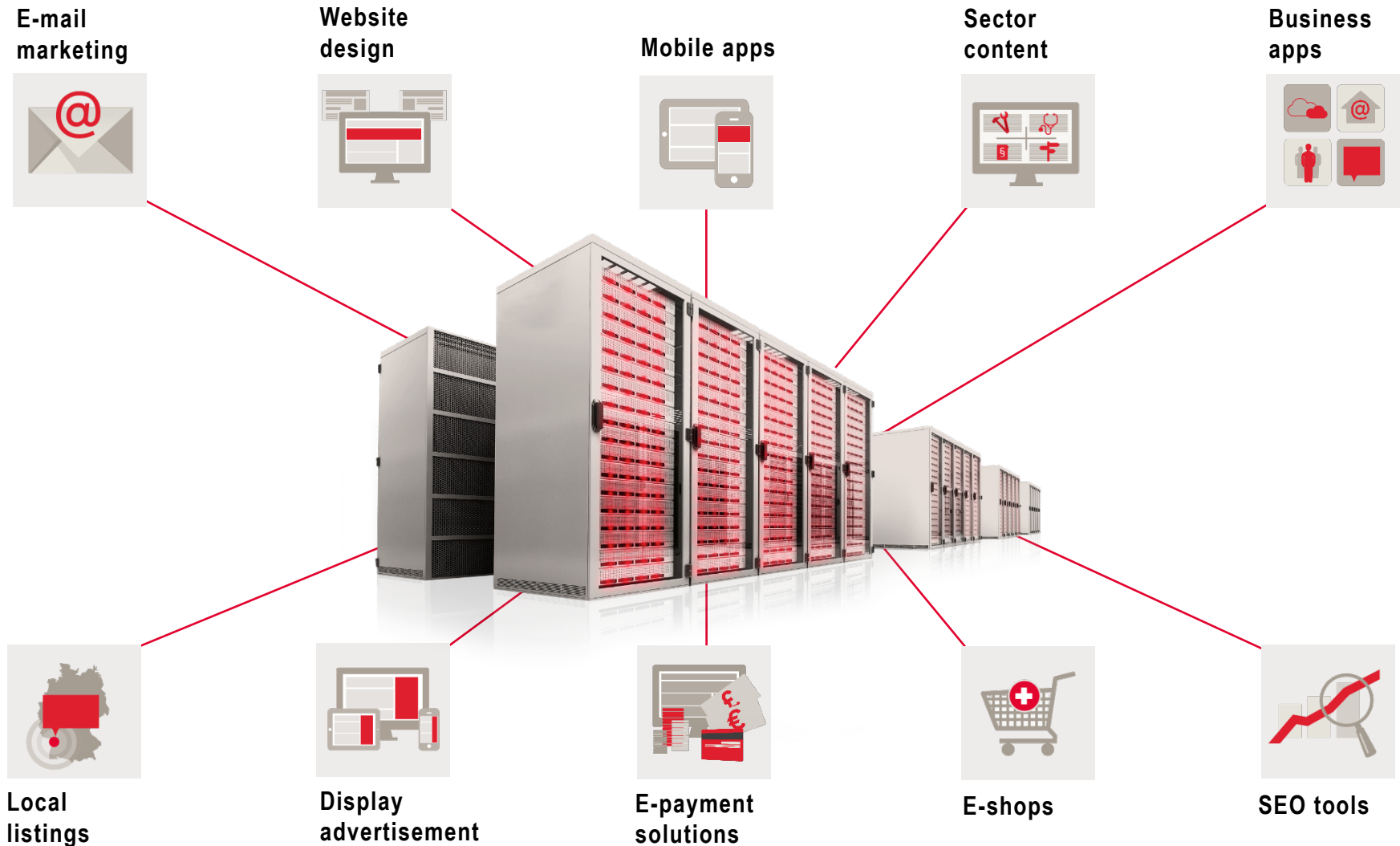
CONSUMER APPLICATIONS: CUSTOMER CONTRACTS

(in million)



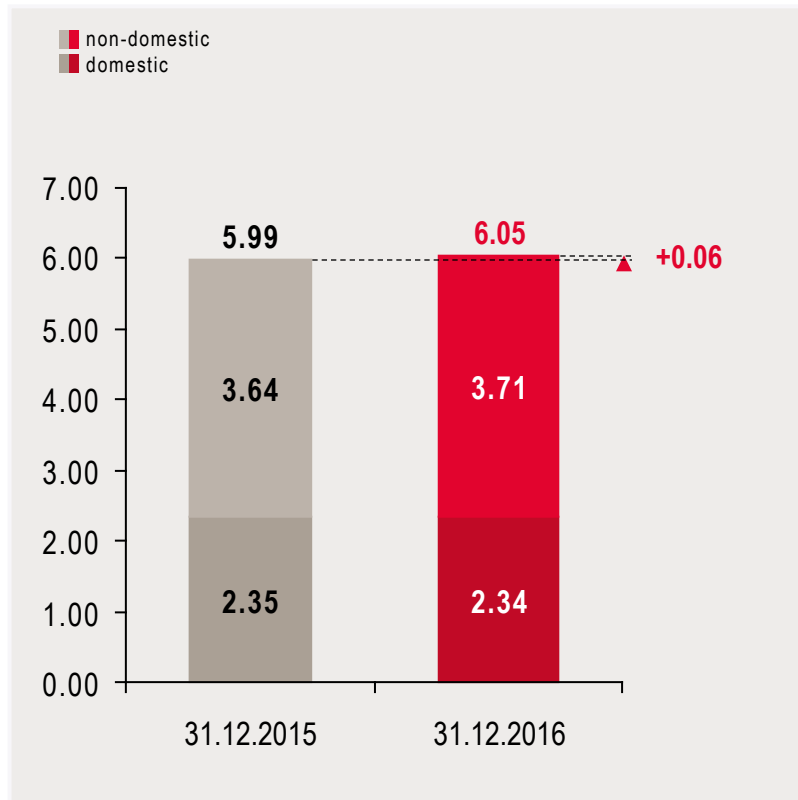
- 2.20 million fee-based products (+ 20,000)
- 34.29 million free accounts (+ 1,140,000), of which
 - 18.2 million with mobile usage (+ 2,300,000)
 - 17.5 million with cloud storage (+ 300,000)

BUSINESS APPLICATIONS: FROM WEBHOSTER TO E-BUSINESS SOLUTIONS PROVIDER



BUSINESS APPLICATIONS: CUSTOMER CONTRACTS

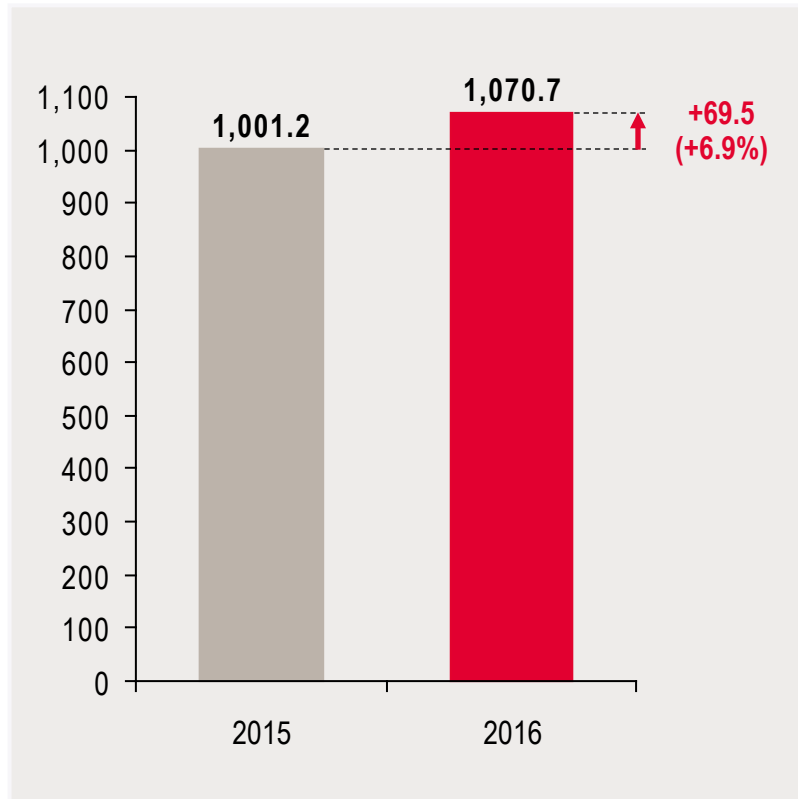
(in million)



- 6.05 million customer contracts (+ 60,000)

APPLICATIONS: SALES

(acc. to IFRS in € millions)

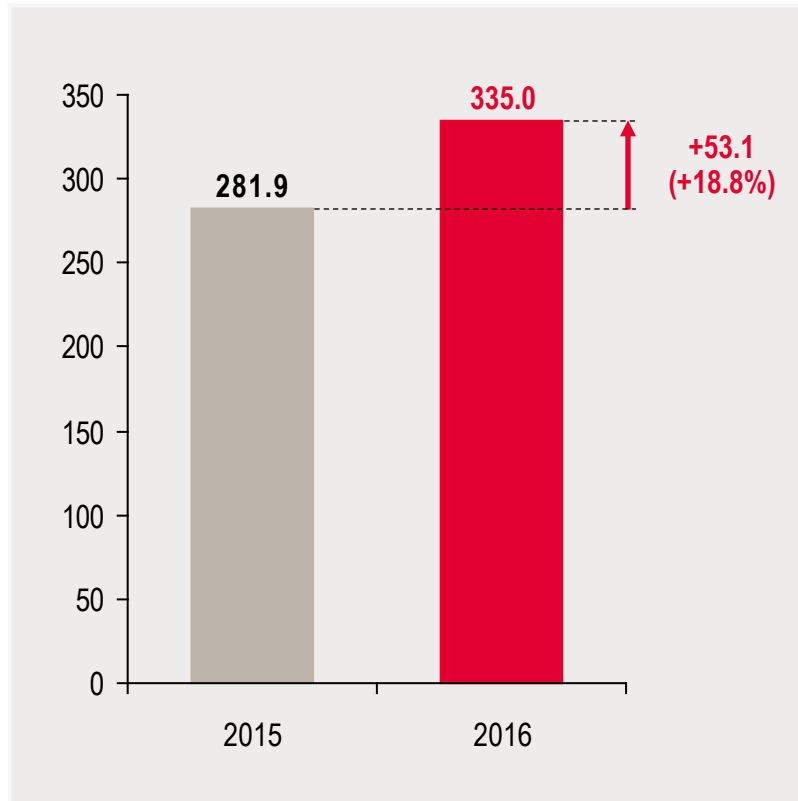


- € 1.071 billion sales
(+ 6.9 %; adjusted for currency-effects: + 8.8 %*)
- Focus on high-quality customers
- Expansion of business with existing customers
- Good monetization of free accounts

* Currency-adjusted for exchange rate fluctuations, in particular of the British pound (GBP)

APPLICATIONS: EBITDA

(acc. to IFRS in € million)

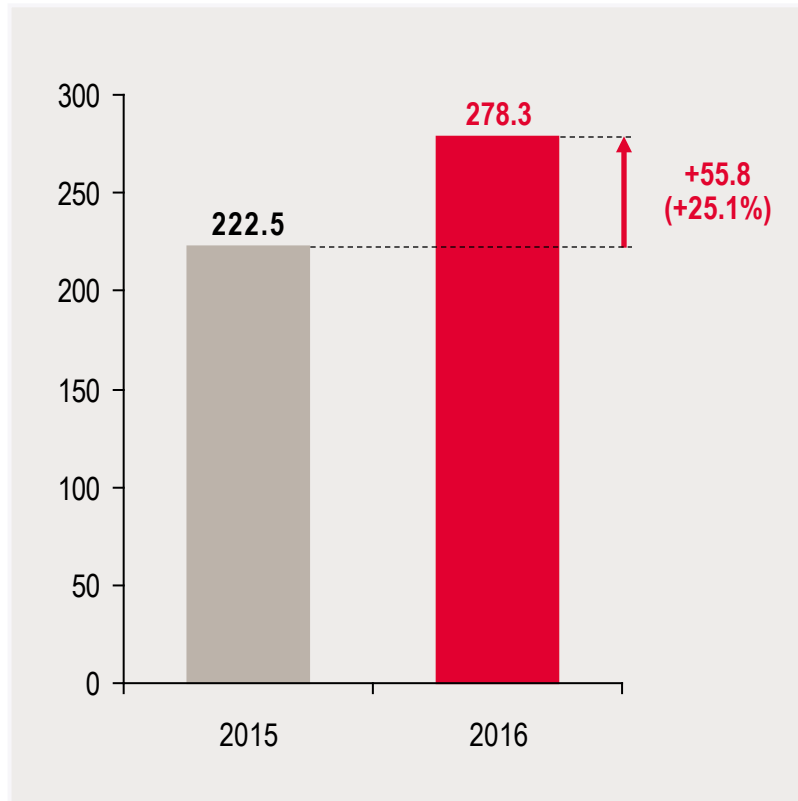


- € 335.0 million EBITDA
(+ 18.8 %; currency-adjusted: + 21.0 %*)
- 31.3 % EBITDA margin (prior year: 28.2 %)

* Currency-adjusted for exchange rate fluctuations, in particular of the British pound (GBP)

APPLICATIONS: EBIT

(acc. to IFRS in € million)



- € 278.3 million EBIT (+ 25.1 %)
- 26.0 % EBIT margin (prior year: 22.2 %)

OUTLOOK

2017 WILL BE A SUCCESSFUL YEAR ...

- Forecast for the financial year 2017*
 - approx. 800,000 new contracts; additional 1.87 million contracts from Strato acquisition
 - approx. + 7 % sales
 - approx. + 12 % EBITDA

* Incl. approx. € 95 million from the first-time consolidation of Strato, as well as an opposing burden of approx. € 60 million on sales from regulatory topics (roaming / termination fees).

Incl. approx. € 36 million EBITDA from the first-time consolidation of Strato, as well as an opposing net burden of approx. € 30 million on EBITDA from regulatory topics (roaming / termination fees) and one-time costs for the migration of DSL wholesale connections of Telefónica.

... AND WE'RE LAYING THE FOUNDATION FOR A SUCCESSFUL ANNIVERSARY YEAR 2018

- In March 2018, we are 20 years at the stock exchange
- Targets 2018
 - > 20 million customer contracts
 - approx. 10 % EBITDA growth (for the first time > € 1 billion EBITDA)

COMBINATION WITH DRILLISCH

TRANSACTION AT A GLANCE

- United Internet integrates 1&1 Telecommunication SE into Drillisch and creates a strong fourth player in the German telecommunications market
- High synergies expected as of 2018; an annual volume of €150 million is anticipated as early as 2020, rising to €250 million annually by 2025
- Transaction
 - Capital increase I: transfer of around 7.75% of United Internet's shares in 1&1 Telecommunication to Drillisch in a capital increase by way of contribution-in-kind from authorized capital
 - Capital increase II: transfer of the remaining interest of around 92.25% in 1&1 Telecommunication in a capital increase by way of contribution-in-kind under exclusion of subscription rights; EGM resolution planned
 - In parallel: public cash tender offer by United Internet to Drillisch shareholders at a price of € 50 per share; 8.2% premium to Drillisch's 3m VWAP
- Upon completion of the transaction, United Internet will be Drillisch's new majority shareholder with a stake of at least 72.7%
- Closing expected in Q4 2017 subject to clearance by German Federal Cartel Office ("Bundeskartellamt")

ACTIVE CONSOLIDATION OF THE GERMAN TELCO MARKET



1&1

- Revenues: € 2.5 billion
- Subscribers: 8.7 million

Previous acquisitions:

versatel
(DSL mass market)

freenet 
(DSL customers)



1&1 + 

- Revenue: € 3.2 billion
- Subscribers: > 12 million





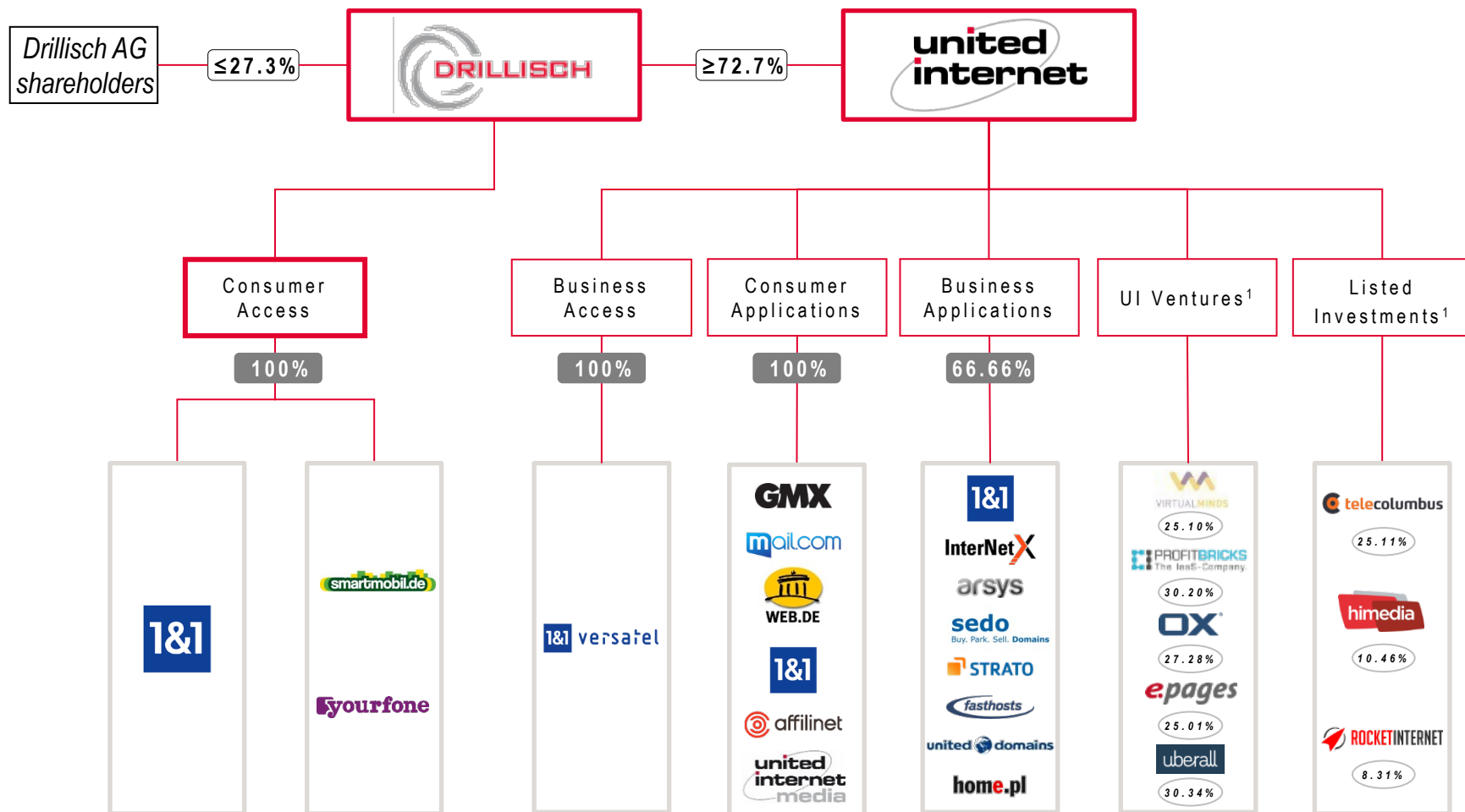
- Revenues: € 0.7 billion
- Subscribers: 3.4 million

Previous acquisitions:

yourfone **The Phone House**

VICTORVOX  eteleon

TARGET STRUCTURE POST FULL TRANSACTION



¹ As of 31 December 2016

RESULTS OF THE FISCAL YEAR 2016

GROUP: CUSTOMER, SALES AND EARNINGS AS OF 31 DECEMBER 2016

(financial KPIs acc. to IFRS)

	2015*	2016**	Change
Mobile internet contracts	3.48 million	4.31 million	+ 0.83 million
DSL contracts	4.32 million	4.41 million	+ 0.09 million
Business Applications contracts	5.99 million	6.05 million	+ 0.06 million
Consumer Applications contracts	2.18 million	2.20 million	+ 0.02 million
Free accounts	33.15 million	34.29 million	+ 1.14 million
Sales	€ 3.716 billion	€ 3.949 billion	+ 6.3 %
EBITDA	€ 757.2 million	€ 840.6 million	+ 11.0 %
EBIT	€ 541.7 million	€ 647.2 million	+ 19.5 %
EBT, operative	€ 521.1 million	€ 622.0 million	+ 19.4 %
EPS, operative (in €)	€ 1.73	€ 2.13	+ 23.1 %
EPS, operative before PPA amortization (in €)	€ 1.89	€ 2.29	+ 21.2 %

* Earnings figures 2015 without special items from the sale of Goldbach shares and partial stake in virtual minds (EBITDA, EBIT and EBT effect: € +14m; EPS effect: € +0.07)

** Earnings figures 2016 without special items from the writedown on financial assets, in particular an impairment of shares in Rocket Internet (EBT effect: € -254.9 million; EPS effect: € -1.25)

GROUP: BALANCE SHEET AS OF 31 DECEMBER 2016 (I)

(acc. to IFRS in €k)

Assets	31.12.2015	31.12.2016	Comments
Property, plant and equipment / intangible assets	1,054,709	1,024,476	▪ Capex: €168.9m; D&A: €193.5m
Goodwill	1,100,123	1,087,685	▪ Slight decrease due to currency effects
Financial assets	917,325	1,043,234	▪ Stock exchange values of Hi-Media and Rocket Internet; book values of Drillisch and Tele Columbus, plus 5 further strategic investments
Accounts receivable	255,505	283,866	▪ Slight increase due to expansion of business
Inventories, prepaid expenses and other assets	473,507	532,730	▪ Prepaid expenses: €239.1m; Inventories €39.5m; deferred tax assets: €103.1m; tax refund claims: €129.4m
Cash and cash equivalents	84,261	101,743	
Total	3,885,430	4,073,734	



GROUP: BALANCE SHEET AS OF 31 DECEMBER 2016 (II)

(acc. to IFRS in €k)

Liabilities and equity	31.12.2015	31.12.2016	Comments
Equity	1,149,758	1,197,812	▪ Equity ratio: 29.4 % (prior year: 29.6 %)
Liabilities due to banks	1,536,502	1,760,653	▪ Bank liabilities (net): €1,658.9m (prior year: €1,452.2m)
Trade accounts payable	399,904	383,189	▪ Decrease despite business expansion
Accrued taxes and deferred tax liabilities	227,532	158,356	
Other accrued liabilities	60,044	52,908	
Other liabilities	252,855	251,493	▪ Thereof long-term: €90.9m (IRUs / leased network of Versatel)
Deferred revenues	258,835	269,323	
Total	3,885,430	4,073,734	

GROUP: CASH FLOW AS OF 31 DECEMBER 2016

(acc. to IFRS in €k)

	31.12.2015	31.12.2016	Comments
Operative cash flow	554,464	644,203	
Cash flow from operating activities	533,204	486,983	<ul style="list-style-type: none"> 2015 without capital gains tax refund (€242.7m); 2016 incl. payment of capital gains tax (€100.0m)
Cash flow from investing activities	- 766,039	- 422,687	<ul style="list-style-type: none"> Capex: €168.9m (prior year: €140.4m); investments: €266.4m (Tele Columbus) (prior year: €417.8m (Drillisch and Rocket))
Free cash flow*	400,494	323,016	<ul style="list-style-type: none"> 2015 without capital gains tax refund (€242.7m); 2016 incl. payment of capital gains tax (€100.0m)

* Free cash flow is defined as cash flow from operating activities, less capital expenditures, plus payments from the disposal of intangible assets and property, plant and equipment

SUMMARY FOR 2017 / 2018

- Forecast for fiscal year 2017*
 - approx. 800,000 new contracts; additional 1.87 million contracts expected from Strato acquisition
 - approx. + 7 % sales
 - approx. + 12 % EBITDA
 - EPS 2017 expected to be almost unchanged from the previous year (operative EPS: € 2.13); EPS before PPA: approx. € 2.35
 - EPS contribution from Strato offset by PPA impairment
 - EPS burden from strong rise in minority interests due to Warburg Pincus investment and one-off tax effect resulting from this transaction

- Targets 2018
 - > 20 million customer contracts
 - approx. 10 % EBITDA growth (for the first time > € 1 billion EBITDA)
 - EPS approx. € 2.50 (EPS before PPA: approx. € 2.75)

- Incl. approx. € 95 million from first-time consolidation of Strato, as well as an opposing burden of approx. € 60 million on sales from regulatory topics (roaming / termination fees)
Incl. approx. € 36 million EBITDA from first-time consolidation of Strato, as well as an opposing net burden of approx. €30 million on EBITDA from regulatory topics (roaming / termination fees) and one-time costs for the migration of DSL wholesale connections of Telefónica.

GOOD START TO THE NEW YEAR

- Key figures for the 1st quarter of 2017
 - 17.16 million customer contracts (+ 190,000)
 - € 989.2 million sales (+ 2.1 %)
 - € 215.0 million EBITDA (+ 6.1 %)
 - € 167.6 million EBIT (+ 8.8 %)
 - Impairment charge on Rocket Internet shares amounting to € 19.8 million (non-cash)

- Forecast confirmed for 2017 as a whole

SHARE & DIVIDEND

SHARE & DIVIDEND

- Share

- Price at end of 2016: € 37.10 (issue price in 1998: € 1.02)
- Price as of May 17, 2017: € 47.95

- Dividend

- Dividend proposal for the Annual General Meeting: € 0.80 per share (prior year: € 0.70)
- Dividend payment: € 159.7 million (prior year: € 142.9 million)
- This corresponds to c. 37 % of the adjusted 2016 consolidated net income after taxes and minority interests

AGENDA

SHARE & DIVIDEND

1. (Consolidated) financial statements for fiscal year 2016
2. Resolution on the utilization of the net retained profits
3. Resolution formally approving the activities of the members of the Management Board
4. Resolution formally approving the activities of the members of the Supervisory Board
5. Resolution on the choice of external auditors
6. Resolution on the buyback and sale of treasury shares

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