

Ad-hoc disclosure according to Article 17 of the MAR

United Internet and Drillisch create a strong fourth player in the German telecommunications market

- **Integration of 1&1 Telecommunication SE into Drillisch under the umbrella of United Internet**
- **Implementation via two capital increases by Drillisch for shares in 1&1 Telecommunication SE as a contribution-in-kind**
- **Transaction includes a voluntary public tender offer for Drillisch by United Internet**
- **Significant potential for growth and synergies**

Montabaur, May 12, 2017. Today the Management Boards of United Internet AG (“United Internet”) and Drillisch AG (“Drillisch”) have entered into a Business Combination Agreement governing the step-by-step acquisition of 1&1 Telecommunication SE (“1&1 Telecommunication”) by Drillisch under the umbrella of United Internet. The agreement has the approval of both companies’ Supervisory Boards.

The aim of the overall transaction is to integrate 1&1 Telecommunication into Drillisch and thus create a powerful, integrated full-service telecommunications provider under the umbrella of United Internet, one with considerable potential for synergies and growth. The combination of the two companies is intended to create a strong fourth player in the German telecommunications market alongside the three major full-service providers (Deutsche Telekom, Vodafone and Telefónica). 1&1 Telecommunication (including 1&1 Versatel’s retail business) and Drillisch together have more than 12 million customer contracts according to the 2016 business figures, and had combined sales of over €3.2 billion.

United Internet’s telecommunications business with retail customers (DSL and Mobile Internet) is bundled in 1&1 Telecommunication SE, a wholly-owned subsidiary of United Internet AG, and the retail business (DSL) previously pursued by 1&1 Versatel was also integrated into 1&1 Telecommunication SE as of May 2, 2017. The B2B business and business with other telecommunications providers (wholesale) will continue to be operated by 1&1 Versatel and is not part of this transaction. However, 1&1 Versatel will continue to provide services for the combined business on the basis of its fiber-optic network. In this transaction, 1&1 Telecommunication SE is valued at €5.85 billion.

During the first quarter of 2017 (and thus without the Versatel retail business), 1&1 Telecommunication SE increased its sales by 6.2% to €619.4 million compared with the first quarter of 2016. The company’s EBITDA rose by 12.9% to €109.0 million. Thus, the results of the first quarter of fiscal year 2017 indicate that the company is on track to reach its EBITDA target for the fiscal year of around €470 million.

The transaction structure agreed on by United Internet and Drillisch envisages that, in the first step, United Internet will contribute around 7.75% of the 1&1 Telecommunication SE shares to Drillisch in return for the issue of a total of 9,062,169 new Drillisch shares from authorized capital under the exclusion of subscription rights (“Capital Increase I”). After the implementation of the Capital Increase I, United Internet’s interest in Drillisch will increase from currently approximately 20.08% to over 30%.

In the second step, the remaining 92.25% of the 1&1 Telecommunication SE shares will be transferred to Drillisch against a total of 107,937,831 new Drillisch shares. The additional capital increase by way of contribution-in-kind under the exclusion of subscription rights that is necessary for this purpose ("Capital Increase II") requires the passing of a resolution at the Annual General Meeting of Drillisch AG. The plan is to submit the Capital Increase II for approval at an extraordinary General Meeting of Drillisch AG that is to take place on July 25, 2017. Upon registration of this additional capital increase by way of contribution-in-kind, United Internet's interest in Drillisch will rise to approximately 72.7% – excluding Drillisch shares tendered into the voluntary public tender offer. United Internet AG would thus fully consolidate the combined business of Drillisch and 1&1 Telecommunication in its annual and quarterly financial statements.

The transaction will be accompanied by a voluntary public tender offer submitted by United Internet for all outstanding shares of Drillisch AG. United Internet will offer therein to Drillisch shareholders to purchase their no-par value bearer shares, each representing a proportionate amount of Drillisch AG share capital of €1.10 (ISIN: DE0005545503). United Internet intends to offer to pay €50 per share, which is 8.2% more than the volume-weighted average share price of Drillisch shares over the past three months as on the reporting day May 11, 2017 (€46.20). The cash offer will be made in accordance with the terms specified in the offer document, subject in particular to merger control approval. There will be no minimum acceptance threshold for the tender offer. United Internet will use bank loans to finance the Drillisch shares tendered as part of the tender offer. The financing banks have confirmed that they will grant a maximum of around €2.5 billion (assuming that all outstanding Drillisch shares are tendered).

The integration of 1&1 Telecommunication into Drillisch offers extensive synergies and growth opportunities for United Internet and for Drillisch shareholders. These jointly-identified synergies are expected to arise at the level of their combined business starting in 2018. An annual volume of €150 million is anticipated as early as 2020, rising to €250 million annually by 2025. These figures assume the successful completion of the overall transaction. Synergies will result in particular through joint purchasing of hardware and services, more efficient use of network capacity available to Drillisch, the expansion of the 1&1 product portfolio to include future technologies, and the availability of a larger product portfolio in Drillisch's stores. To achieve these synergies, the companies expect one-off implementation costs of around €50 million at the combined business level. All shareholders of Drillisch and United Internet will benefit from these synergies and pooled potential through value increases and dividends in the long term.

The parties pursue, following the completion of the overall transaction that the CEO of Drillisch, Mr. Vlasios Choulidis, should move from the operational management to the Supervisory Board of Drillisch. It is also planned that the combined company should be led by André Driesen, Director of Finances of Drillisch AG, as well as Martin Witt, CEO of 1&1 Telecommunication SE, and United Internet CEO Ralph Dommermuth as CEO following the conclusion of the overall transaction.

The completion of the tender offer is subject to merger control approval by the German authorities (Bundeskartellamt).

The offer document and other information on the tender offer will be published in accordance with the requirements of the German Securities Acquisition and Takeover Act (WpÜG) on the following website: www.united-internet-bid.de.

Important note:

This announcement is neither an offer to purchase nor a solicitation of an offer to sell shares of Drillisch AG. The final terms of this tender offer and any further provisions in connection with the tender offer will be contained in the offer document after approval of publication of the offer document by BaFin. Drillisch AG investors and shareholders are strongly advised to read the offer document and all other documents related to the offer as soon as they become available, since they will contain important information.

To the extent that this announcement contains forward-looking statements, including statements in relation to the offer document, such statements do not represent facts and are characterized by words such as “will”, “expect”, “believe”, “estimate”, “intend”, “aim”, “assume” or similar expressions. These forward-looking statements express the intentions, opinions or current expectations and assumptions of United Internet AG and persons acting together with it. The forward-looking statements are based on current plans, estimates and forecasts that United Internet AG and persons acting together with it have made to the best of their knowledge, but make no claim as regards their correctness in the future. Forward-looking statements are subject to risks, uncertainties and changing circumstances that are difficult to predict and usually cannot be influenced by United Internet AG or persons acting together with it. These expectations and the forward-looking statements could turn out to be incorrect and actual developments may differ significantly from the forward-looking statements. United Internet and persons acting together with it assume no responsibility for updating the forward-looking statements with respect to actual developments or events, overall conditions, assumptions or other factors.

About United Internet

With 16.97 million fee-based customer contracts and 34.29 million ad-financed free accounts, United Internet AG is Europe’s leading internet specialist. At the heart of United Internet is a high-performance “Internet Factory” with approx. 8,100 employees, of which around 2,600 are engaged in product management, development and data centers. In addition to the high sales strength of its established brands (1&1, GMX, WEB.DE, Strato, united-domains, Fasthosts, Arsys, home.pl, InterNetX, Sedo, affilinet and 1&1 Versatel), United Internet stands for outstanding operational excellence with around 51 million customer accounts worldwide.

Contact

Press
United Internet AG
Elgendorfer Straße 57
56410 Montabaur
Germany
Tel: +49/2602/96-1616
Fax: +49/2602/96-1013
E-mail: presse@united-internet.de
Website: www.united-internet.de

Note:

To ensure clear, transparent presentation, the annual and interim financial statements of United Internet AG as well as the ad-hoc disclosure in accordance with Article 17 of the MAR include not only the information required by the International Financial Reporting Standards (IFRS) but also other financial figures such as EBITDA, EBITDA margin, EBIT, EBIT margin or free cash flow. Information

on the use, definition and calculation of these figures is available in United Internet AG's 2016 Annual Report, starting on page 46.