



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**
- **Drillisch is to remain an independent listed company**
- **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/Maintal, May 12, 2017. Today the Management Boards of United Internet AG and Drillisch AG 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. With the conclusion of the agreement, the companies aim to merge United Internet's mobile and fixed-network business, which is bundled in 1&1 Telecommunication SE, with Drillisch's mobile communications business. This will create a strong fourth player in the German telecommunications market alongside the three major full-service providers (Deutsche Telekom, Vodafone and Telefónica).

"With the merger of 1&1 Telecommunication and Drillisch, we are creating a powerful telecommunications provider under the umbrella of United Internet. 1&1 possesses a strong brand, an enormous customer base and immense distribution capability. Drillisch is a fast-growing mobile telecommunications provider with an attractive product portfolio. Together, we can offer our customers the complete range of products with full access to the network technologies of today and tomorrow from a single source: high-speed DSL, mobile internet and the associated services," said Ralph Dommermuth, CEO of United Internet.

United Internet's telecommunications business with retail customers (DSL and mobile telecommunications) is bundled in 1&1 Telecommunication SE. 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 the 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.

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.

During the first quarter of 2017 (and thus without the 1&1 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 compared to the previous year. Thus, the company is on track to reach its EBITDA target for the fiscal year of around €470 million.

When its Q1 business figures were published on May 10, 2017, Drillisch AG also reinforced its EBITDA forecast of €160 million to €170 million for the entire year. For instance, from January to March the company was able to increase its service sales by 21.3% to €151.1 million compared to the first quarter of 2016, and its EBITDA rose by 46.3% to €35.1 million compared to the first quarter of 2016.

Significant potential for growth and synergies

The integration of 1&1 Telecommunication into Drillisch offers extensive synergies and growth opportunities for both United Internet and the 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 implementation of the overall transaction. Synergies will result in particular through joint purchasing of hardware and services, more efficient use of Drillisch's available network capacity, 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 both Drillisch and United Internet will benefit over the long term from these synergies and pooled potential through value increases and dividends.

The synergies will partially be enabled by Drillisch's existing exclusive access to Telefónica's mobile network in Germany. With the acquisition of E-Plus in 2014, the merger control authorities stipulated that Telefónica must allow third parties substantial unrestricted access to the network.

"Our agreement with Telefónica continues to pay off. It ensures us full access to next-generation network technologies for the coming years – and on very good terms. On this basis, Drillisch has expanded at a very rapid pace over the past two years. However, we still have upside potential, since the share of the network that we have exclusive rights to use increases every year – to up to 30% in 2020. And thanks to our renewal options, we have this right until at least 2030. We have found the perfect partner in 1&1 Telecommunication, one with whom we will be able to accelerate our growth and better utilize our future capacities," explained Vlasios Choulidis, Executive-Board Spokesman of Drillisch.

Martin Witt, CEO of 1&1 Telecommunication SE, adds: "With its strong brand, 1&1 is already one of the leading DSL and mobile telecommunications providers in Germany. Together with Drillisch, we will be able to offer our customers an even more extensive portfolio of products. And our customer promise – innovative solutions with top-quality service at a first-class price-performance ratio – will continue to be at the heart of our work, because customer satisfaction is our top priority."

Integration of 1&1 Telecommunication into Drillisch through a two-step capital increase against contributions-in-kind

The combination of 1&1 Telecommunication and Drillisch is to be implemented in two steps. In the first step, it is intended that United Internet transfers around 7.75% of its shares in 1&1 Telecommunication to Drillisch in a capital increase by way of contribution-in-kind from authorized capital under the exclusion of subscription rights. In return, United Internet will receive 9,062,169 new Drillisch shares (“Capital Increase I”). Thus, United Internet’s interest in Drillisch will increase from currently approximately 20.08% to just over 30%. In the second step, the remaining interest of around 92.25% held in 1&1 Telecommunication will be transferred in exchange for a total of 107,937,831 new Drillisch shares. For this purpose, a further capital increase by way of contribution-in-kind under the exclusion of subscription rights is planned (“Capital Increase II”). This capital increase requires the approval by an extraordinary General Meeting of Drillisch, which is to take place on July 25, 2017. Approval requires a majority of 75% of the represented capital.

Vlasios Choulidis, Executive-Board Spokesman of Drillisch: “The combination with 1&1 Telecommunication is a tremendous opportunity for Drillisch and our shareholders, and is a leap for our company into a completely new dimension. In terms of sales, Drillisch AG will be about five times as large as it is today. Furthermore, the synergies we achieve will enable us to further increase our profitability.”

The transaction includes a voluntary public tender offer

As an alternative for short-term investors, United Internet will submit a voluntary public tender offer to all Drillisch shareholders that relates to the acquisition of all outstanding Drillisch shares (“the Tender Offer”). United Internet passed a resolution to this effect today.

This will present Drillisch shareholders with a choice: They can continue to hold their Drillisch shares and benefit from the significant potential for growth and synergies created by the transaction, or they can tender their no-par value bearer shares at the price of €50.00 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. The acceptance period for the tender offer is expected to begin at the end of May 2017 following approval of the offer document by the German Federal Financial Supervisory Authority (BaFin) and is expected to end at the end of June 2017. United Internet will use bank loans to finance the Drillisch shares tendered as part of the tender offer. Subject to merger control approval, the entire transaction is expected to be completed at the end of 2017.

The Business Combination Agreement concluded today defines in particular the procedure and the conditions of the tender offer, the Capital Increases I and II as well as the corporate governance of Drillisch subject to the outcome of the tender offer and both capital increases. It is agreed that Vlasios Choulidis, Executive-Board Spokesman of Drillisch, will step down from operational management and move on to the Drillisch Supervisory Board following the conclusion of the overall transaction. The combined company is to be led by André Driesen, Director of Finances at Drillisch, as well as Martin Witt and Ralph Dommermuth (CEO).

Drillisch is to remain an independent listed company

Following the successful implementation of both capital increases, United Internet will be Drillisch's new majority shareholder with a share of around 72.7% plus those shares tendered into the tender offer. United Internet AG would thus fully consolidate the merged business of and 1&1 Telecommunication in its annual and quarterly financial statements. Drillisch is to remain an independent listed company and will continue to maintain an attractive dividend policy.

Ralph Dommermuth, CEO of United Internet: "The merger between 1&1 Telecommunication and Drillisch is a win-win situation for everyone involved: United Internet shareholders will benefit from the significant increase in our strategic stake in Drillisch. Drillisch shareholders will benefit from substantial opportunities for synergies and growth if they keep their shares and vote in favor of our joint project at the extraordinary General Meeting. As an alternative, short-term investors may tender their shares at a price close to the all-time high. There will also be attractive prospects for employees as a result of improved opportunities for growth in the market. Management of the business is to remain decentral. But our customers will especially benefit: Our combined business will foster competition over the long run."

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

J.P.Morgan and Hengeler Mueller advised United Internet on the transaction. Bank of America Merrill Lynch and Sullivan & Cromwell acted as advisors to Drillisch.

About United Internet

With 16.97 million fee-based customer contracts and 34.29 million ad-financed free accounts as of December 31, 2016, 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, 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.

About Drillisch

With 3.462 million mobile customers as of March 31, 2017, Drillisch AG is one of the largest network-independent telecommunications providers in Germany. The company offers a comprehensive portfolio of products and services for mobile voice and data services. In the premium segment, Drillisch concentrates on its brands smartmobil.de (with soccer star Lukas Podolski as its brand ambassador) as well as yourfone, which lends its name to the more than 200 stores Drillisch operates in top locations in German cities. In addition, many other successful mobile communications brands are part of Drillisch AG, including simply, sim.de, McSim, helloMobil, WinSim and discoTEL.

About 1&1 Telecommunication

With 8.7 million customer contracts as of December 31, 2016, 1&1 Telecommunication SE is a leading DSL and mobile telecommunications provider in Germany. As a wholly owned subsidiary of the listed company United Internet AG, 1&1 Telecommunication SE offers complete DSL packages with attractive value-added services and mobile communications flat-rate packages for the D and E networks.

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Important note:

This publication is neither an offer to purchase nor a solicitation of an offer to sell shares of United Internet AG ("United Internet Shares") or of Drillisch Aktiengesellschaft ("Drillisch Shares"). An offer to purchase Drillisch Shares is made exclusively on the basis of the terms and conditions contained in the offer document. The final terms of the takeover offer as well as other terms pertaining to the takeover offer will be announced in the offer document of United Internet AG after the permission of the publication of the offer document by the Federal Financial Supervisory Authority. Investors and holders of Drillisch Shares are strongly advised to read the offer document and as well as all other documents related to the takeover offer when they are made available because they will contain important information.

The voluntary takeover offer for the Drillisch Shares is implemented solely in accordance with German law and certain applicable provisions of the law of the United States of America (the

"United States"). An implementation of the takeover offer according to provisions of other jurisdictions does not occur.

The takeover offer will be made in the United States pursuant an exemption from the U.S. tender offer rules provided by Rule 14d-1(c) under the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Securities Exchange Act") and the takeover offer will otherwise be made solely in accordance with the applicable regulatory requirements in Germany. Accordingly, the takeover offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under U.S. domestic tender offer procedures and law. No U.S. federal or state securities commission or regulatory authority has approved or disapproved of the transaction or passed upon the adequacy or accuracy of the information in the offer related documents. Any representation to the contrary is a criminal offence in the United States of America ("United States").

To the extent that this announcement contains forward-looking statements, also with respect to the takeover offer, such statements do not represent facts and are characterized by the words "will", "expect", "believe", "estimate", "intend", "aim", "assume" or similar expressions. Such forward-looking statements express the intentions, opinions or current expectations and assumptions of United Internet AG and the persons acting together with United Internet AG as well as of Drillisch Aktiengesellschaft. Such forward-looking statements are based on current plans, estimates and forecasts which United Internet AG and the persons acting together with United Internet AG and the persons acting together with United Internet AG as well as Drillisch Aktiengesellschaft have made to the best of their knowledge, but which do not claim to be correct in the future. Forward-looking statements are subject to risks, uncertainties and changes in the accompanying circumstances that are difficult to predict and usually cannot be influenced by United Internet AG or the persons acting together with United Internet AG or by Drillisch Aktiengesellschaft. These expectations and forward-looking statements can turn out to be incorrect and the actual events or consequences may differ materially from those contained in or expressed by such forward-looking statements. United Internet AG and the persons acting together with United Internet AG as well as Drillisch Aktiengesellschaft do not assume an obligation to update the forward-looking statements with respect to the actual development or incidents, basic conditions, assumptions or other factors.

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