

**Fiscal year
2015
&
Outlook
2016**



■ Agenda

Ralph Dommermuth Business development
 Outlook

Frank Krause Results 2015

**Business
development**

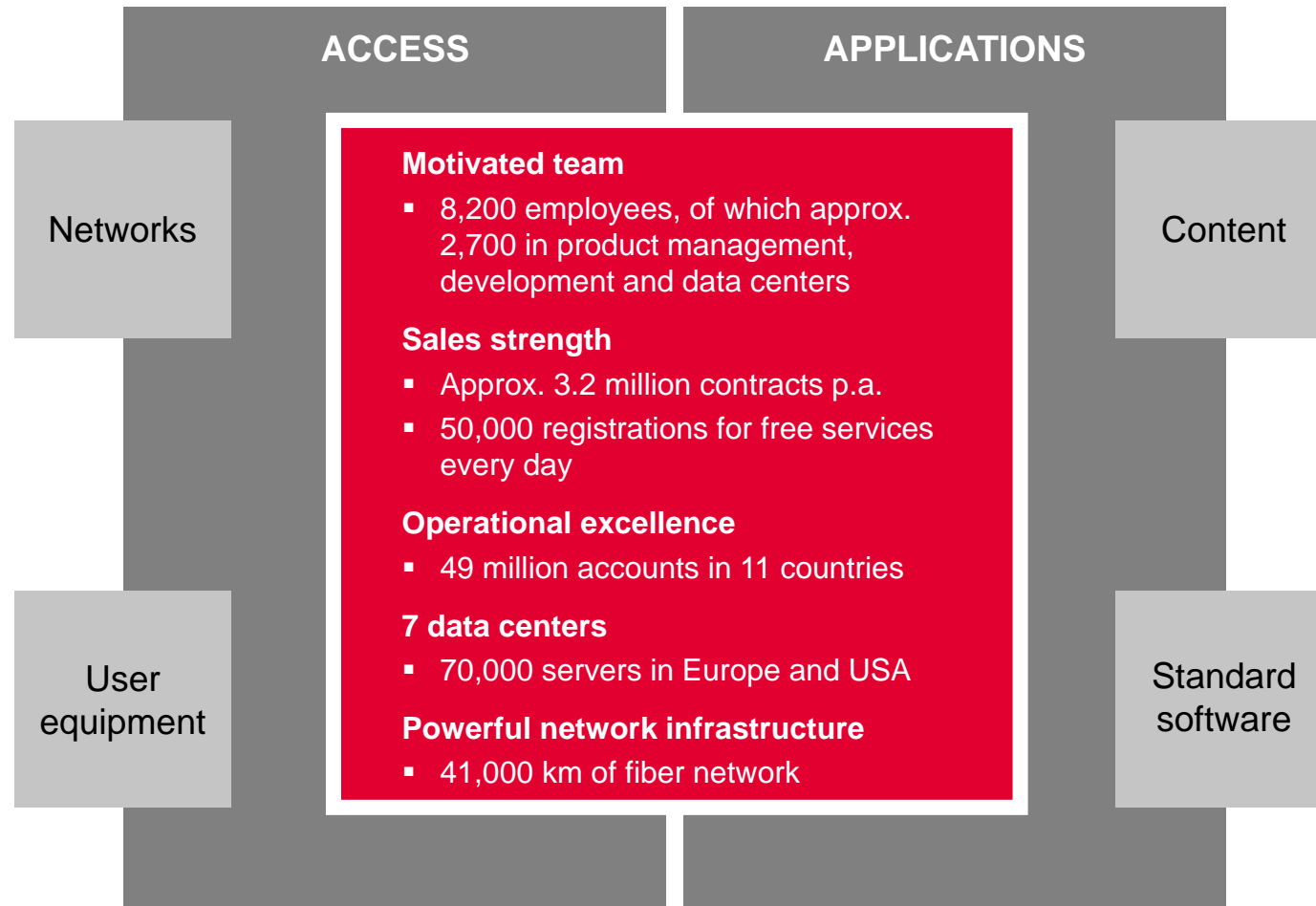
■ Highlights 2015

- Customer growth well above plan: +1.19 million contracts (thereof +0.93 million organic growth) to 15.97 million
- Strong growth in sales and results

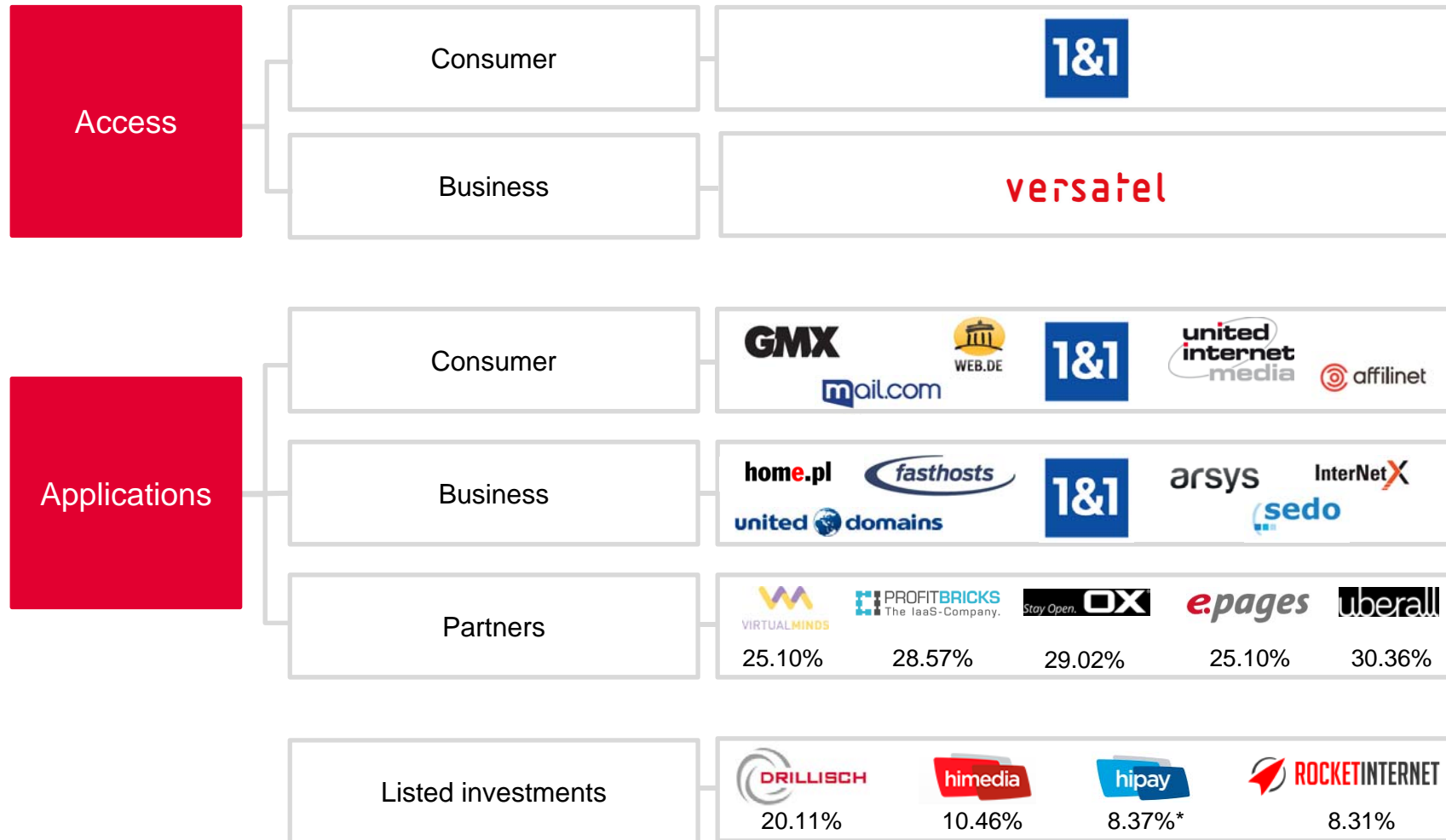
| | 2014 | 2015 | Change |
|-----------------------------|-----------------|-----------------|----------|
| Sales | € 3.065 billion | € 3.716 billion | + 21.2 % |
| EBITDA | € 551.5 million | € 771.2 million | + 39.8 % |
| EBIT | € 430.6 million | € 555.7 million | + 29.1 % |
| EPS | € 1.46 | € 1.80 | + 23.3 % |
| EPS before PPA amortization | € 1.52 | € 1.96 | + 28.9 % |

- Earnings include sales proceeds of € 14.0 million following the sale of Goldbach shares and part of the stake in virtual minds
- Acquisition of 20.11 % in Drillisch for € 415.8 million
- Acquisition of further 1.2 million shares in Rocket Internet within the context of a capital increase for € 58.8 million
- Acquisition of home.pl for € 154.5 million
- Dividend proposal for fiscal year 2015: € 0.70 (prev. year: € 0.60)

■ 2 segments: Access and Applications

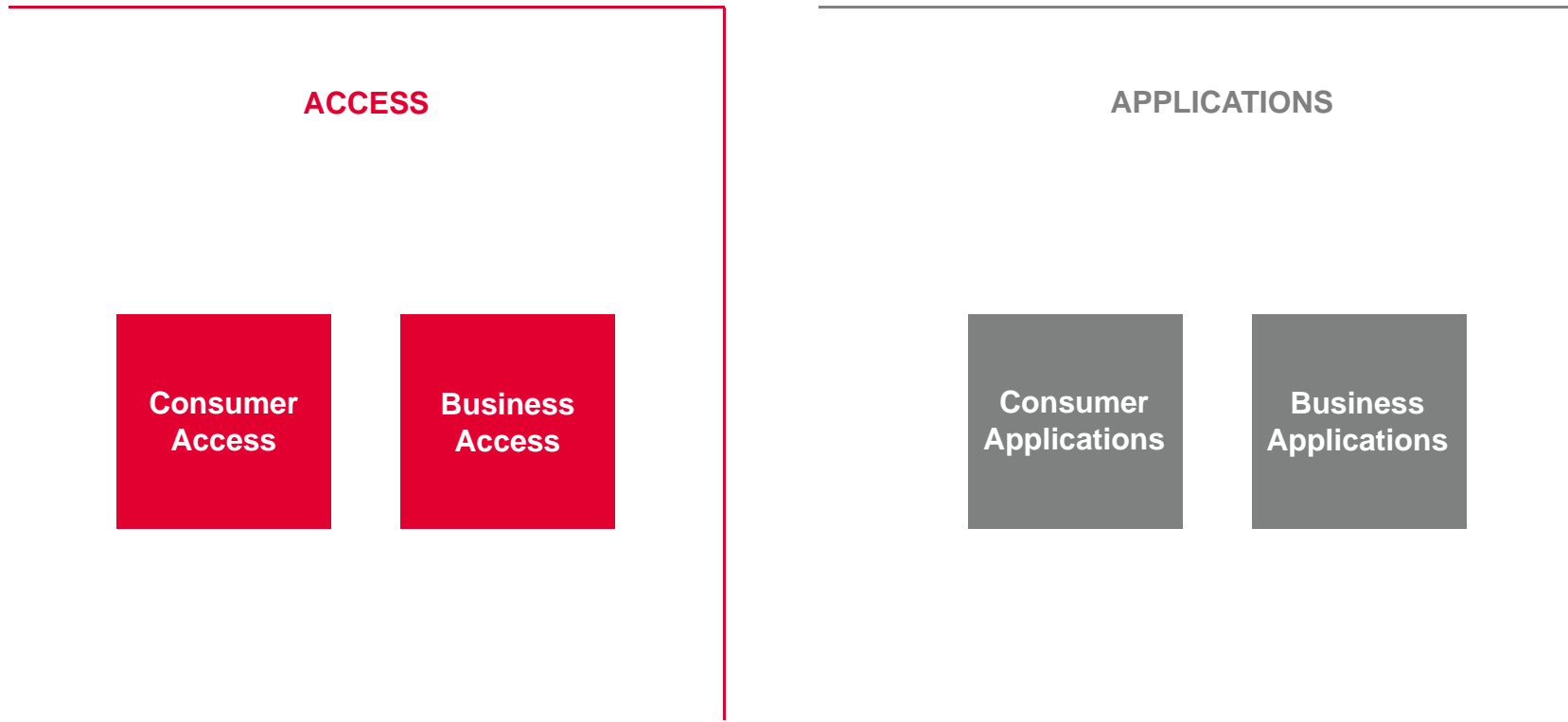


■ Brands and investments



* Spin-off of Hi-Media S.A.

■ „Access“ in fiscal year 2015



■ Consumer Access: 7.80 million customer contracts

- Largest alternative German DSL provider with 4.32 million DSL connections
- 3.48 million contracts for mobile internet

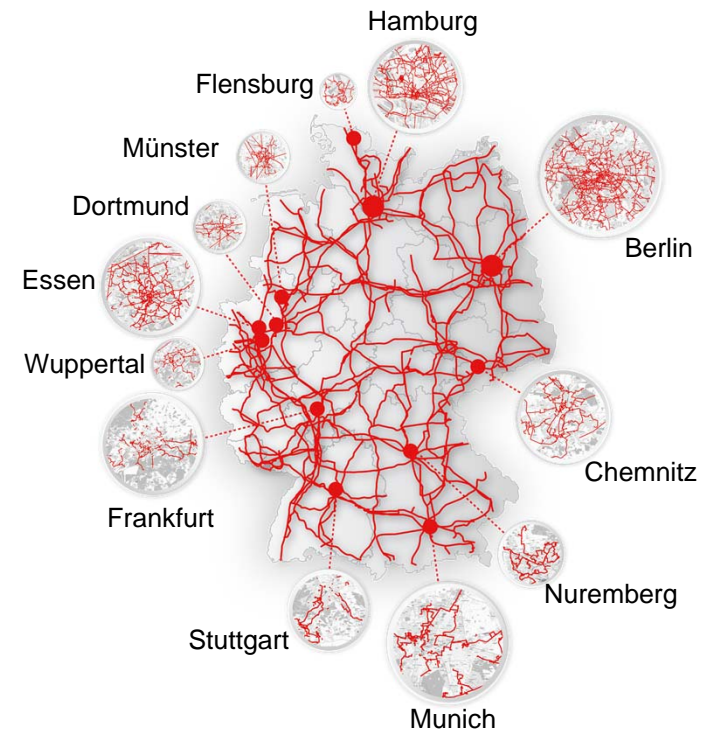
1&1 DSL
100.000 kBit/s
INTERNET UND TELEFON
19,99 €/Monat*
Spreispreis für 12 Monate, danach 29,99 €/Monat.

1&1 ALL-NET-FLAT
✓ **FLAT** FESTNETZ
✓ **FLAT** ALLE HANDY-NETZE
✓ **FLAT** INTERNET

D-NETZ

■ Business Access via Versatel

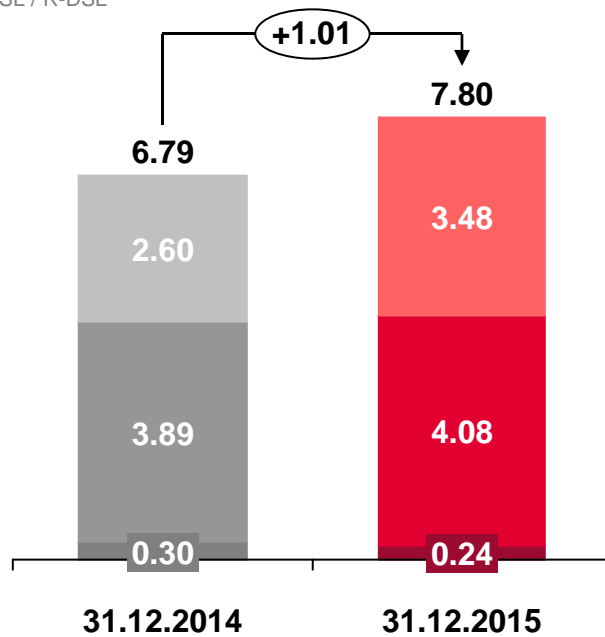
- Data and network solutions for SMEs and infrastructure services for large corporations
- Second-largest German fiber network, with 40,825 km of fiber (prev. year: 39,318 km)
- Network infrastructure in 250 German Cities (prev. year: 226), thereof 19 of the 25 largest cities
- 6,212 locations connected to the fiber network (prev. year : 5,481)



■ Access: customer and sales growth

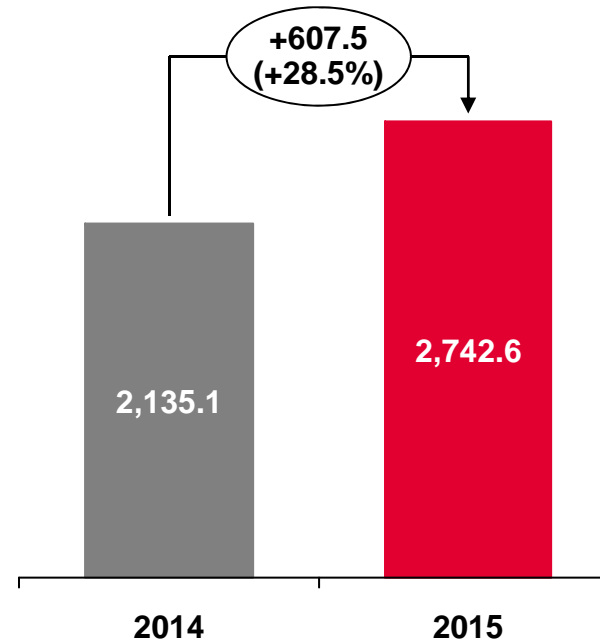
Customer contracts (in million)

- Mobile Internet
- DSL Complete (ULL)
- T-DSL / R-DSL



- + 880,000 Mobile Internet contracts
- + 190,000 DSL contracts (ULL)
- Legacy T-DSL-/R-DSL business being phased out

Sales (acc. to IFRS in € million)

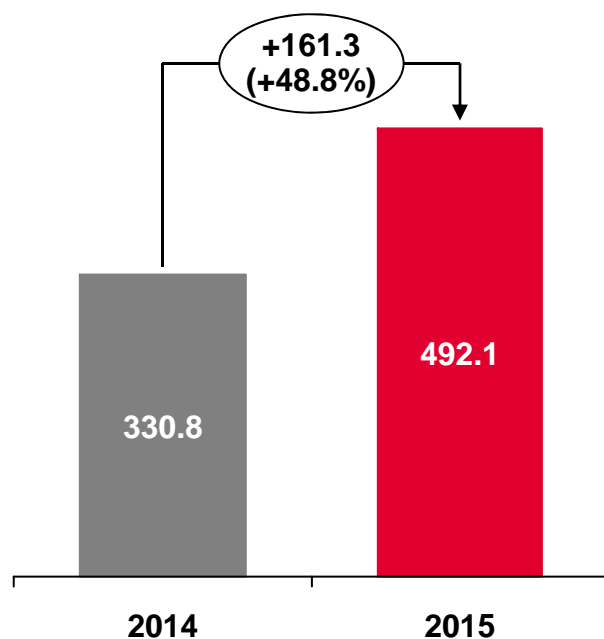


- € 517.9 million sales of Versatel in 2015 (€ 130.6 million in Q4 2014)

■ Access: EBITDA and EBIT

EBITDA

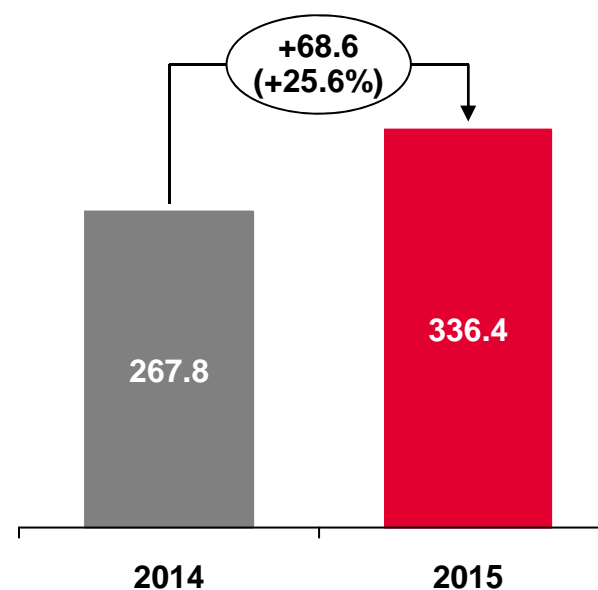
(acc. to IFRS in € million)



- € 146.1 million Versatel EBITDA in 2015 (€ 33.3 million in Q4 2014)
- 17.9 % EBITDA margin (prev. year: 15.5 %)

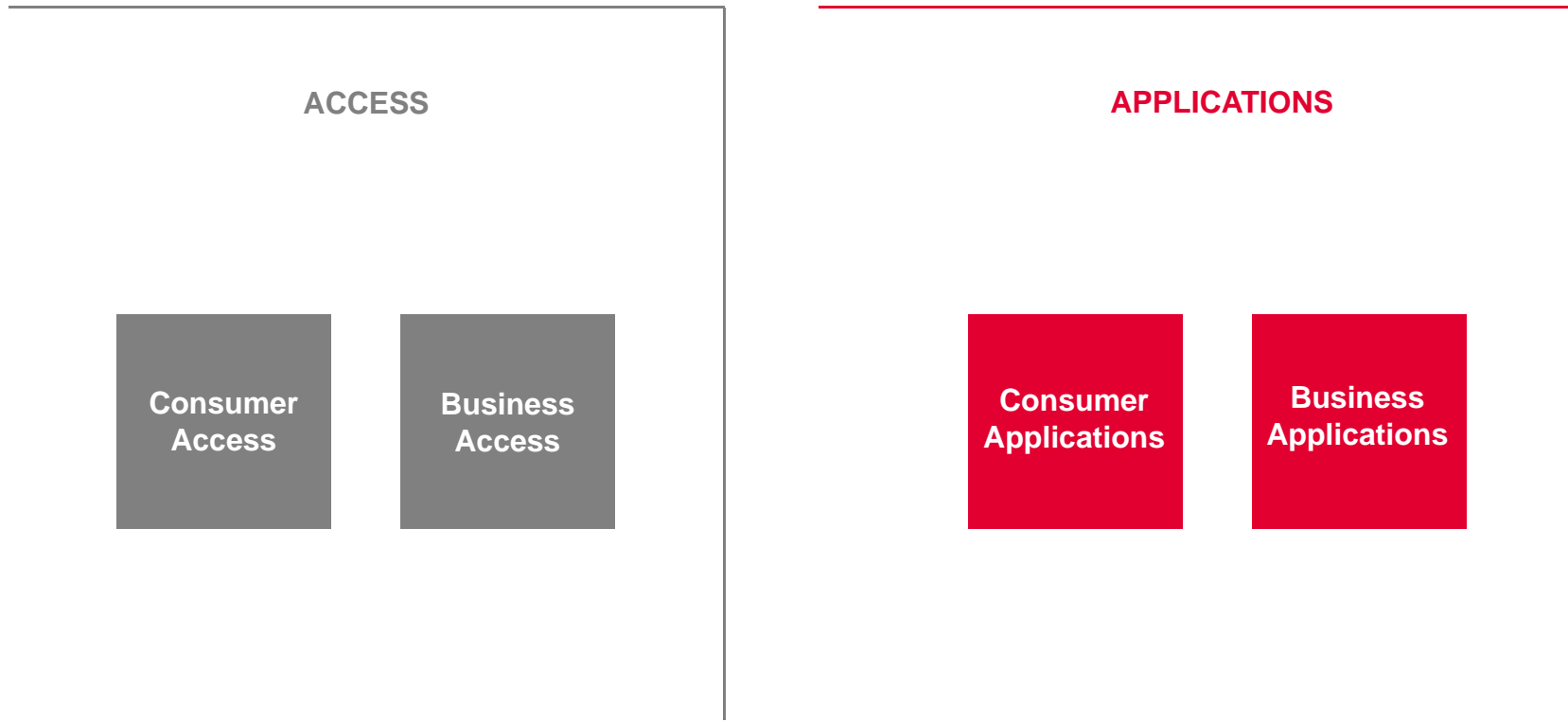
EBIT

(acc. to IFRS in € million)



- € 17.2 million Versatel EBIT in 2015 (€ 0.9 million in Q4 2014)
- 12.3 % EBIT margin (prev. year: 12.5 %)

■ „Applications“ in fiscal year 2015



■ Consumer Applications: from e-mail service to command center for communication, information and identity management

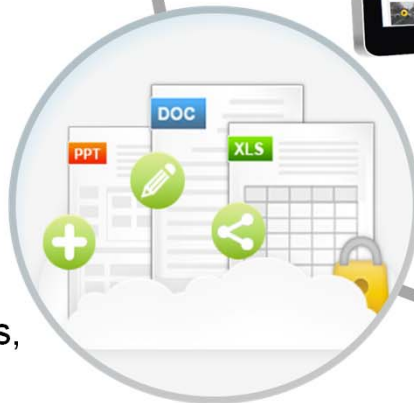
Communication and organization
e-mail, calendar, contacts, SMS, fax



De-Mail
legally secure communication and identity management



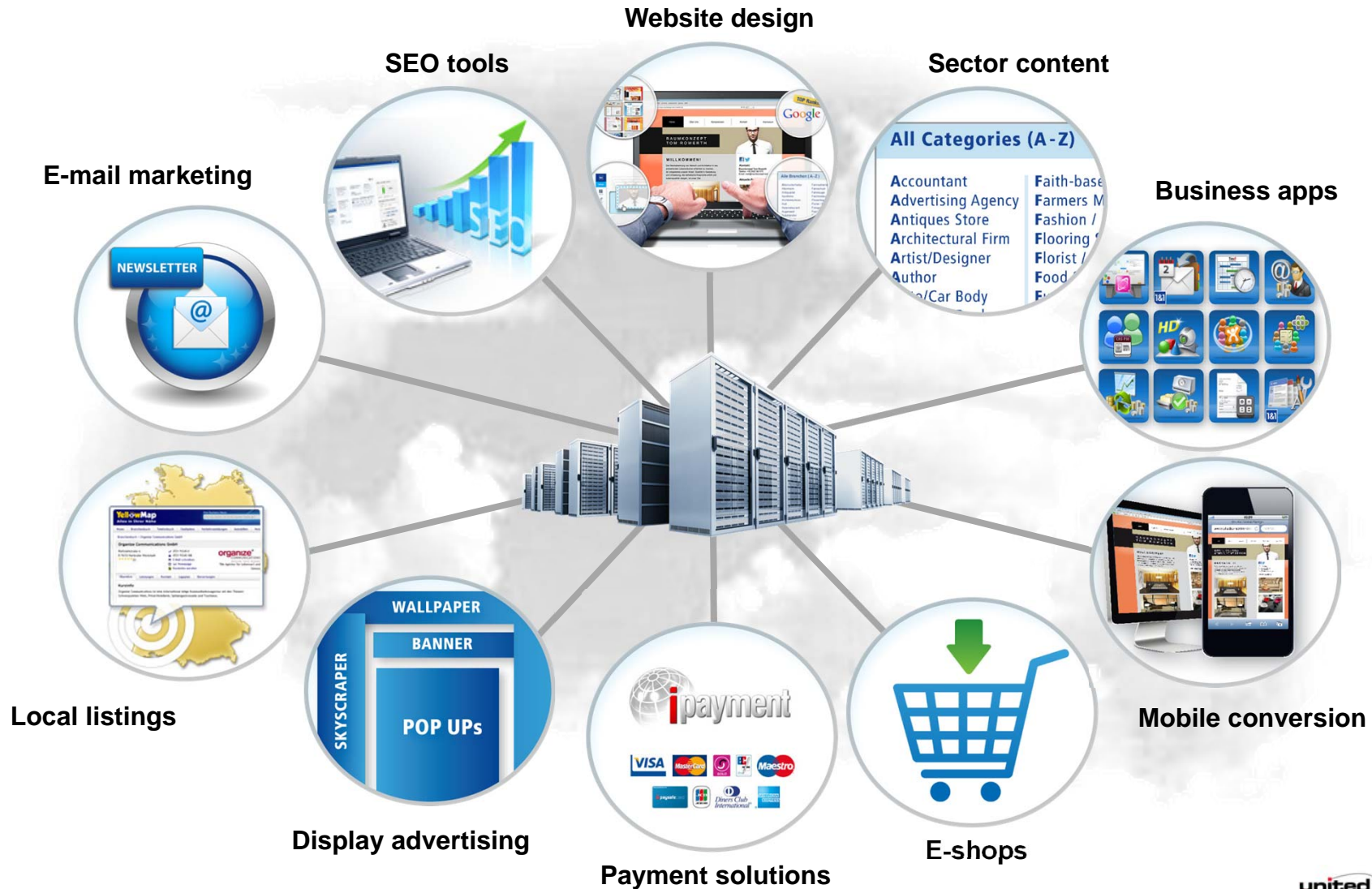
Online office
texts, spreadsheets, presentations



Online storage
for photos, videos, music and documents

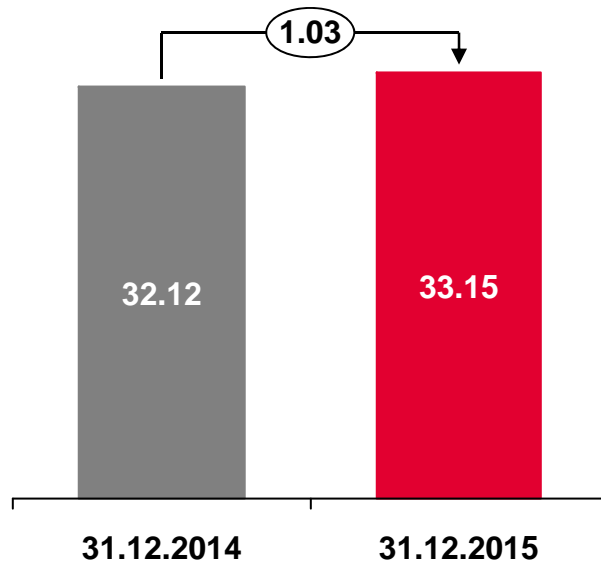


Business Applications: from webhoster to e-business solutions provider



■ Consumer Applications

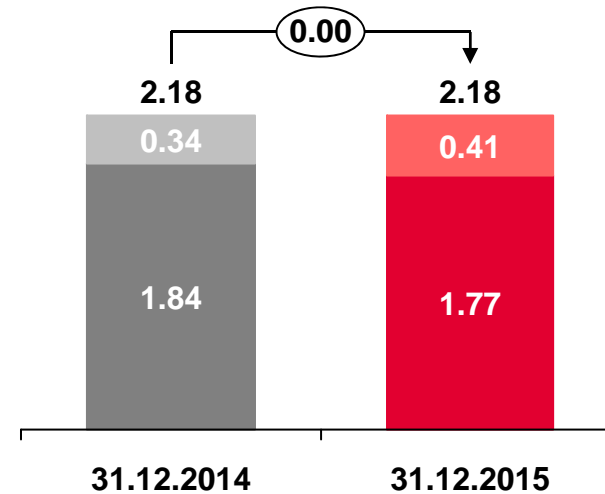
Free Accounts
(in million)



- 15.9 million with mobile usage (+2.3m)
- 17.2 million with cloud storage (+1.0m)

Customer contracts
(in million)

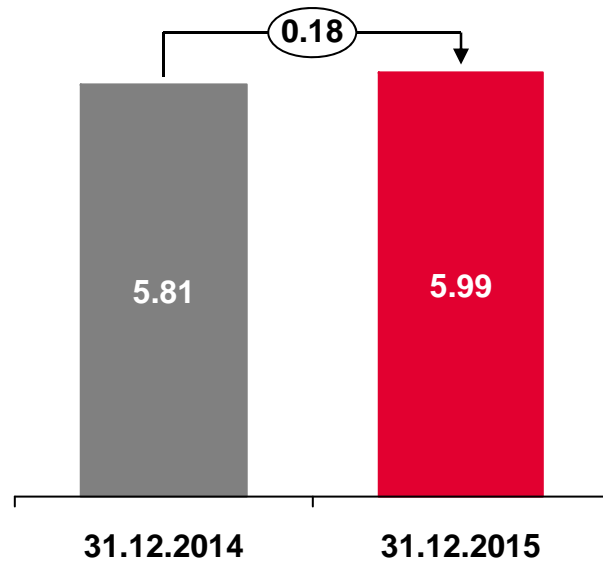
■ Accounts with Value Added subscription
■ Accounts with Premium Mail subscription



- Number of contracts stable despite limited marketing for pay products

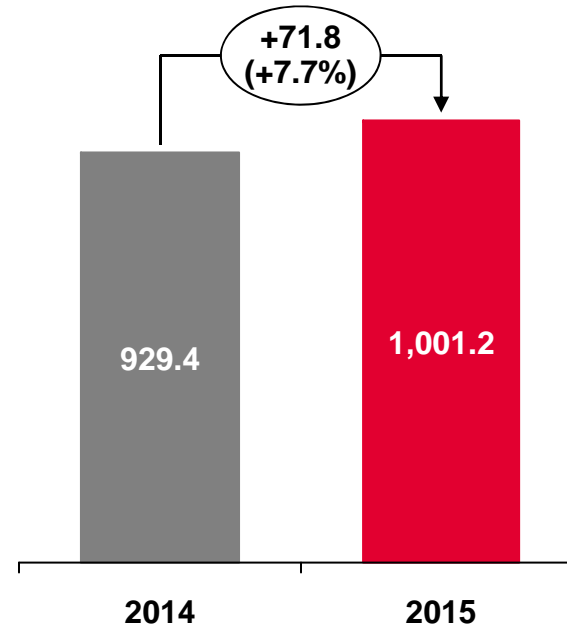
■ Business Applications and segment sales

Business Applications
(contracts in million)



- Organic contract growth development
 - -80,000 due to price increase for „domainers“
- One-off effects
 - additional -80,000 from streamlining of „domainers“ at year-end
 - +340,000 contracts from acquisition of home.pl

Sales
(acc. to IFRS in EUR million)

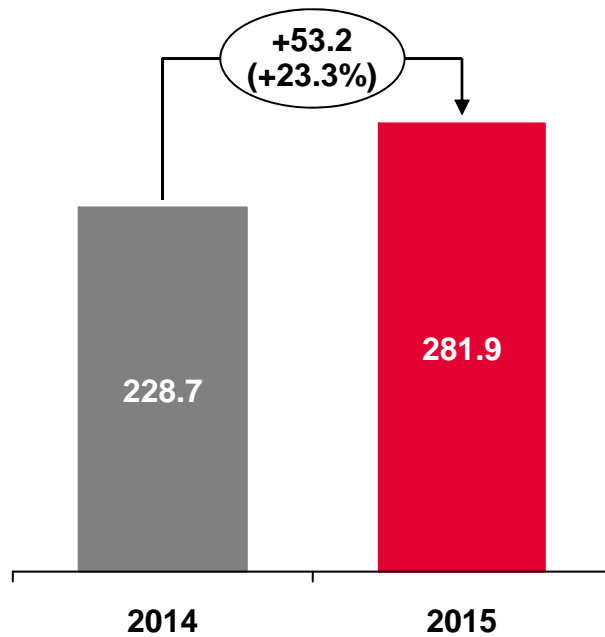


- For the first time more than EUR 1 billion sales in the Applications segment

■ Applications: EBITDA and EBIT

EBITDA

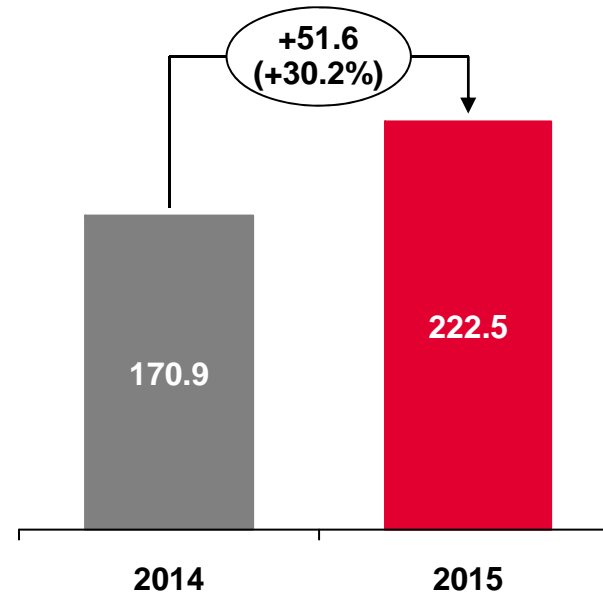
(acc. to IFRS in € million)



- 28.2 % EBITDA margin (prev. year: 24.6 %)

EBIT

(acc. to IFRS in € million)



- 22.2 % EBIT margin (prev. year: 18.4 %)

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**Outlook
2016**

■ Sustainable growth continued

- Sales: approx. € 4 billion
- EBITDA: approx. € 850 million
- New contracts: approx + 800,000

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**Results
2015**

■ Consolidated customer, sales and earnings development 2015

(acc. to IFRS in € million)

| | 2014 | 2015* | Change |
|------------------------------------|---------|---------|------------|
| Mobile Internet contracts | 2.60 | 3.48 | ■ + 0.88m |
| DSL contracts | 4.19 | 4.32 | ■ + 0.13m |
| Business Applications contracts | 5.81 | 5.99 | ■ + 0.18m |
| Consumer Applications contracts | 2.18 | 2.18 | ■ + 0.00m |
| Free accounts | 32.12 | 33.15 | ■ + 1.03m |
| Sales | 3,065.0 | 3,715.7 | ■ + 21.2 % |
| EBITDA | 551.5 | 771.2 | ■ + 39.8 % |
| EBIT | 430.6 | 555.7 | ■ + 29.1 % |
| EBT | 412.9 | 535.1 | ■ + 29.6 % |
| EPS (in €) | 1.46 | 1.80 | ■ + 23.3 % |
| EPS before PPA amortization (in €) | 1.52 | 1.96 | ■ + 28.9 % |

* incl. € 14.0 million from the sale of Goldbach shares and part of the company's shareholding in virtual minds

■ Consolidated balance sheet as of 31 December 2015 (I)

(acc. to IFRS in €k)

| Assets | 31.12.2014 | 31.12.2015 | Comments: |
|---|-------------------|-------------------|--|
| Property, plant and equipment / intangible assets | 1,074,776 | 1,009,228 | ▪ Capex: € 140.4m; D&A: € 215.5m |
| Goodwill | 977,043 | 1,137,795 | ▪ Increase particularly from acquisition of home.pl |
| Financial assets | 730,219 | 917,325 | ▪ Stock exchange value Hi-Media, Hi-Pay and Rocket Internet, book value of Drillisch and 5 further strategic investments |
| Accounts receivable | 216,648 | 255,505 | ▪ Due to expansion of the business |
| Inventories, prepaid expenses and other assets | 623,910 | 473,507 | ▪ Prepaid expenses: € 185.1m; inventories: € 42.5m; deferred tax assets: € 108.5m; Tax refund claims: € 114.6m |
| Cash and cash equivalents | 50,829 | 84,261 | |
| Total | 3,673,425 | 3,877,621 | |

■ Consolidated balance sheet as of 31 December 2015 (II)

(acc. to IFRS in €k)

| Liabilities and equity | 31.12.2014 | 31.12.2015 | Comments: |
|--|------------------|------------------|---|
| Equity | 1,204,729 | 1,149,758 | ▪ Equity ratio: 29.7% (PY 32.8%) |
| Liabilities due to banks | 1,374,002 | 1,536,502 | ▪ Bank liabilities (net): € 1,452.2m (PY € 1,323.2m) |
| Trade accounts payable | 360,334 | 399,904 | ▪ Due to expansion of the business |
| Accrued taxes and deferred tax liabilities | 212,822 | 218,666 | |
| Other accrued liabilities | 48,455 | 60,044 | |
| Other liabilities | 238,202 | 252,855 | ▪ Thereof non-current: € 95.5m (IRUs / leased network of Versatel) |
| Deferred revenues) | 234,881 | 259,892 | |
| Total | 3,673,425 | 3,877,621 | |

■ Consolidated cash flow as of 31 December 2015

(acc. to IFRS in €k)

| | 2014 | 2015 | Comments: |
|-------------------------------------|------------|----------|--|
| Operative cash flow | 380,563 | 554,464 | |
| Cash flow from operating activities | 453,997 | 533,204 | <ul style="list-style-type: none"> Without payment of capital gain tax in 2014 and reimbursement in 2015 |
| Cash flow from investing activities | -1,349,811 | -766,039 | <ul style="list-style-type: none"> Increase due in particular to Versatel capex, participation in Drillisch and capital increase Rocket |
| Free cash flow* | 386,573 | 400,494 | |

* 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

**Our success story
continues!**