Acquisition of the leading alternative fibre operator in Germany

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

- 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)

<table>
<thead>
<tr>
<th>Equity value (74.9%)</th>
<th>UI purchase price (25.1%)</th>
<th>Net debt</th>
<th>Benefits from TLCF</th>
<th>Implied blended firm value</th>
</tr>
</thead>
<tbody>
<tr>
<td>586</td>
<td>66</td>
<td>361</td>
<td>(50)</td>
<td>963</td>
</tr>
</tbody>
</table>

~5.8 x

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
  - 2nd largest fibre network in Germany (only behind Deutsche Telekom)
  - 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 markets
- 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)

- Largest German cities with strong Versatel presence

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

4. 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
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

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

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

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

Acquisition of Versatel – the leading alternative fibre infrastructure operator in Germany
## Financial strength of the combined company

### Pro-forma combined 2013 results
(in € mm unless stated differently)

<table>
<thead>
<tr>
<th></th>
<th>United Internet</th>
<th>Versatel</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>2,656</td>
<td>547</td>
<td>3,202</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>407</td>
<td>155</td>
<td>562</td>
</tr>
<tr>
<td><strong>% margin</strong></td>
<td>15%</td>
<td>28%</td>
<td>18%</td>
</tr>
<tr>
<td><strong>FCF</strong></td>
<td>212</td>
<td>75(^1)</td>
<td>287</td>
</tr>
<tr>
<td><strong>% conversion</strong></td>
<td>52%</td>
<td>48%</td>
<td>51%</td>
</tr>
</tbody>
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\(^1\) EBITDA – capex – change in NWC – cash taxes
Versateli 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!