

**6-Month
2015**



■ Agenda

Ralph Dommermuth Company development
 Outlook

Frank Krause Results H1 2015

**Company
development**

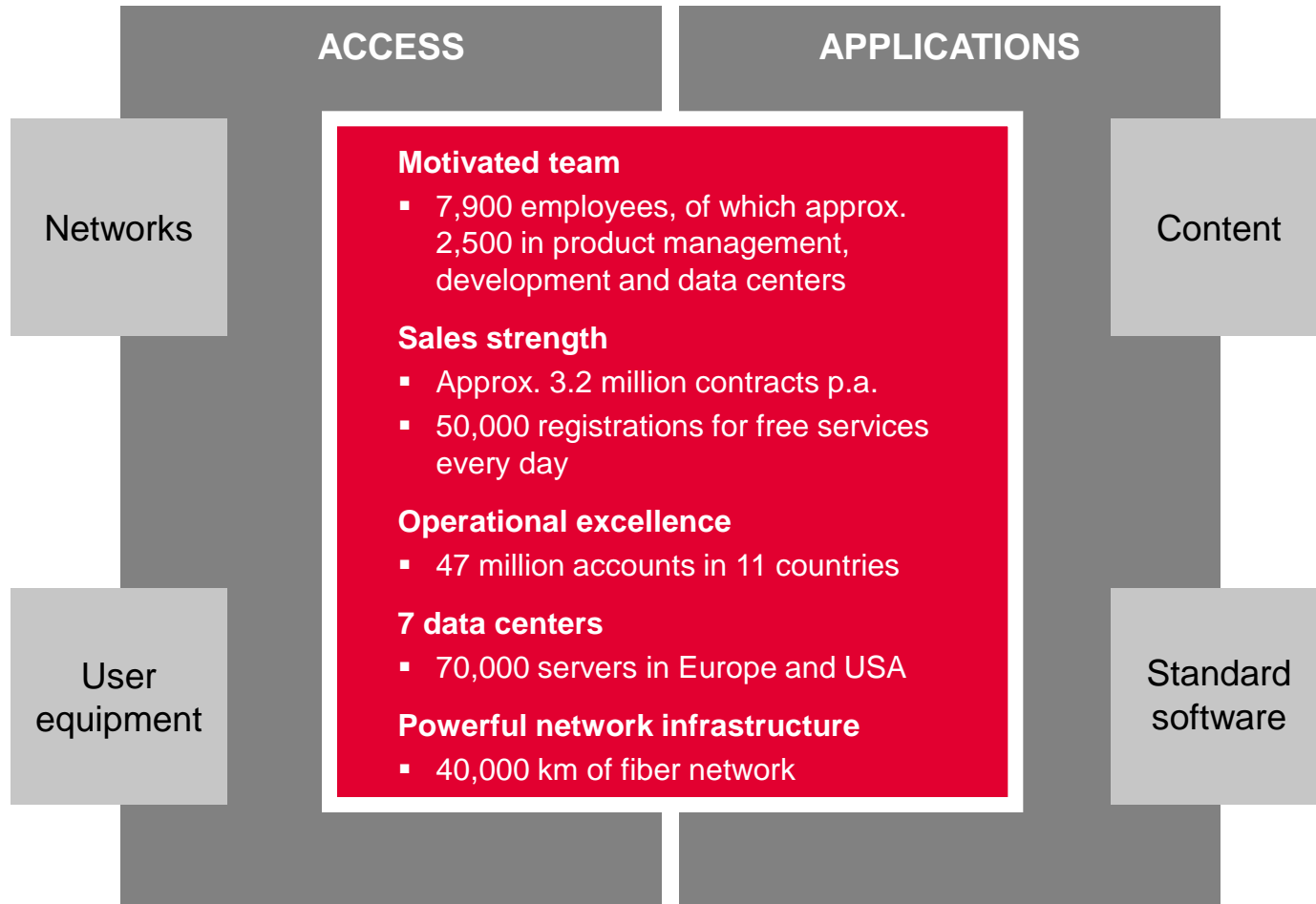
■ Highlights H1 2015

- Customer growth above budget: + 430,000 contracts (total of 15.21 million)
- Strong growth in sales and earnings

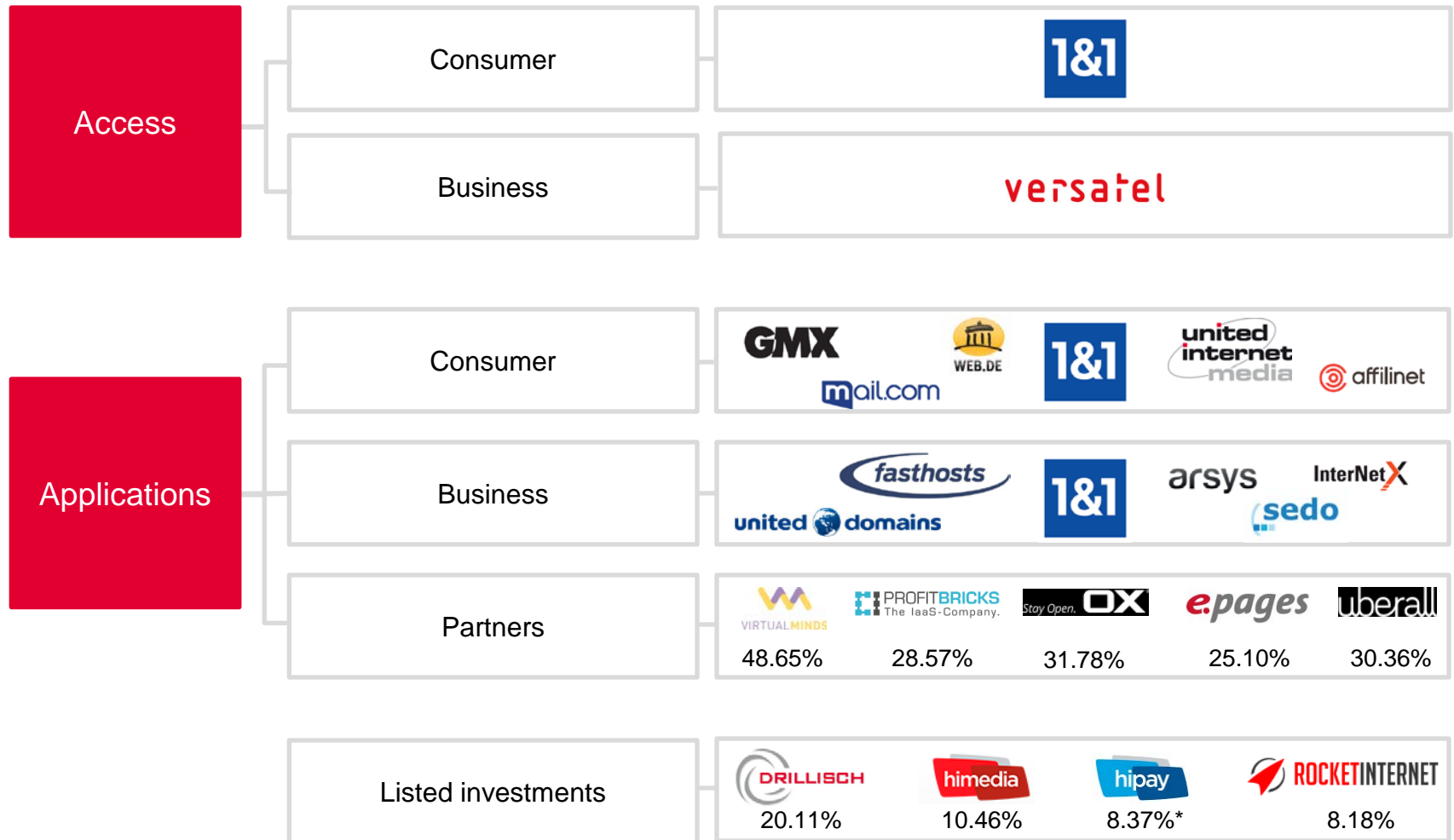
| | H1 2014 | H1 2015 | Change |
|-----------------------------|-----------------|-----------------|----------|
| Sales | € 1.434 billion | € 1.823 billion | + 27.2 % |
| EBITDA | € 237.6 million | € 351.3 million | + 47.9 % |
| EBIT | € 193.5 million | € 242.3 million | + 25.2 % |
| EPS | € 0.66 | € 0.85 | + 28.8 % |
| EPS before PPA amortization | € 0.68 | € 0.93 | + 36.8 % |

- Acquisition of 20.11 % stake in Drillisch AG for € 415.8 million
- Acquisition of further 1.2 million shares in Rocket Internet within the framework of a capital increase for € 58.8 million
- Sale of shares held in Goldbach Group (14.96 %) for € 18.2 million, EBITDA-effect of € 5.6 million

■ 2 segments: Access and Applications



Brands and investments



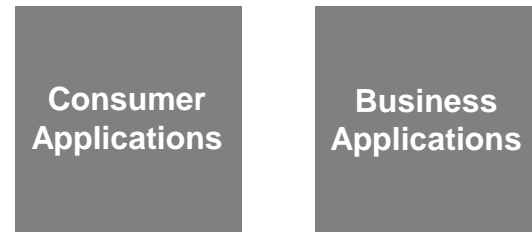
* Spin-off of Hi-Media S.A.

■ “Access” in H1 2015

ACCESS



APPLICATIONS



■ Consumer Access: 7.24 million customer contracts

- Largest alternative German DSL provider with 4.25 million DSL connections
- 2.99 million contracts for mobile internet

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

Auf Wunsch dazu gibt es den **1&1 HomeServer***.
WLAN-Modem, Telefonanlage und Heimnetzwerk in einem.

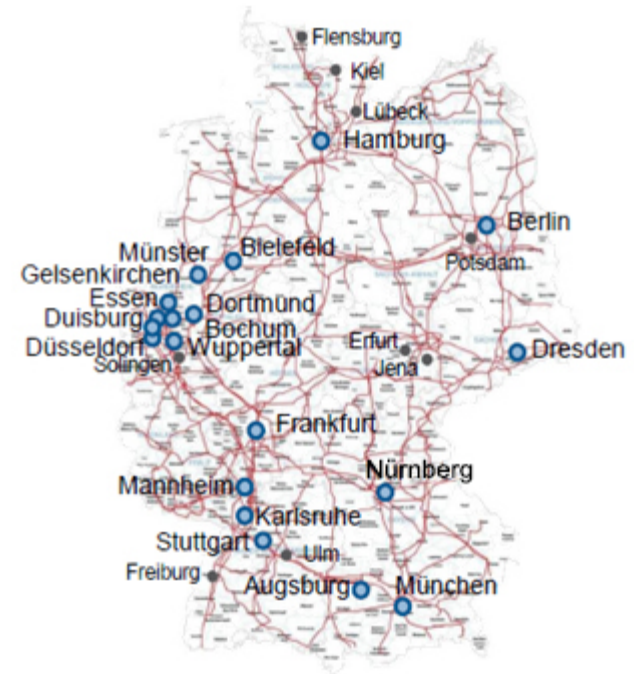
1&1 ALL-NET-FLAT

- ✓ **FLAT** FESTNETZ
- ✓ **FLAT** ALLE HANDY-NETZE
- ✓ **FLAT** INTERNET

D-NETZ

■ Business Access via Versatel

- Acquisition of Versatel on October 1, 2014
- Second-largest German fiber network, approx. 40,000 km
 - 250 German cities
 - of which 19 of the 25 largest cities
- Data and network solutions for SMEs and infrastructure services for large corporations
- 5,900 locations connected to the fiber network

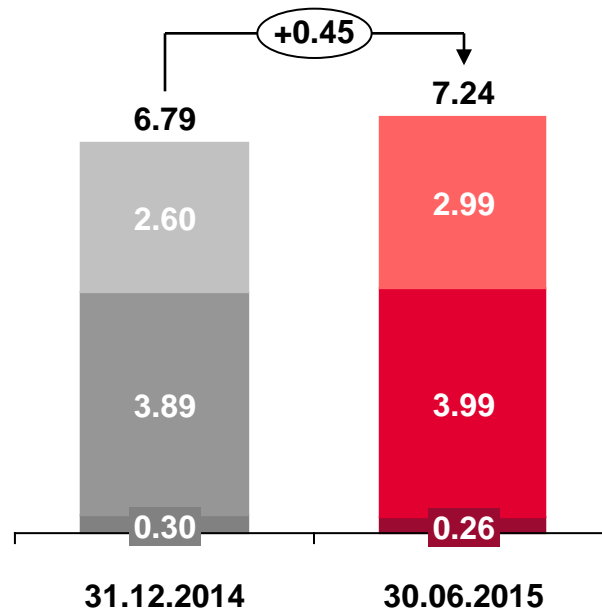


■ Access: customer contracts and sales

Customer contracts

(in million)

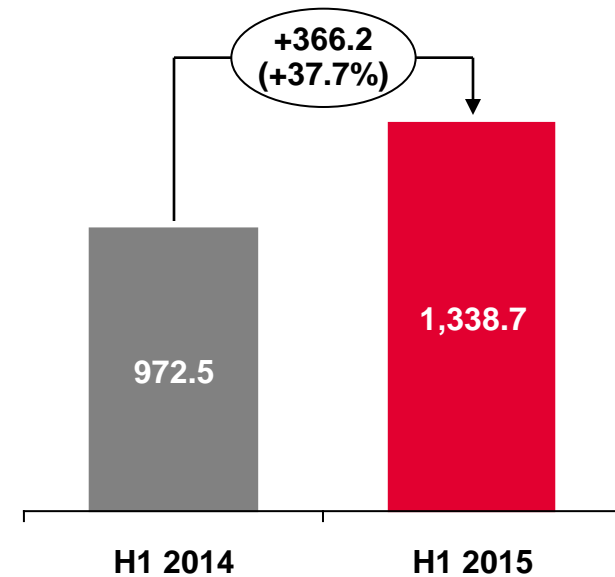
- Mobile Internet
- DSL complete packages (ULL)
- T-DSL / R-DSL



- + 390,000 Mobile Internet contracts
- + 60,000 DSL contracts

Sales

(acc. to IFRS in € million)

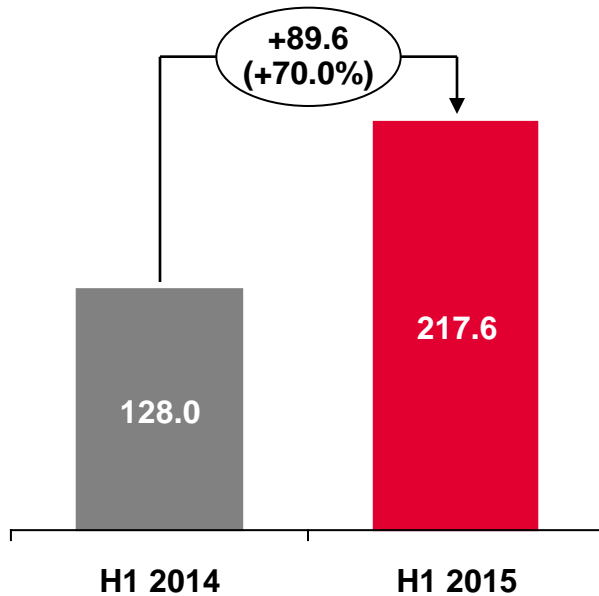


- € 259.4 million sales of Versatel in H1 2015

■ Access: EBITDA and EBIT

EBITDA

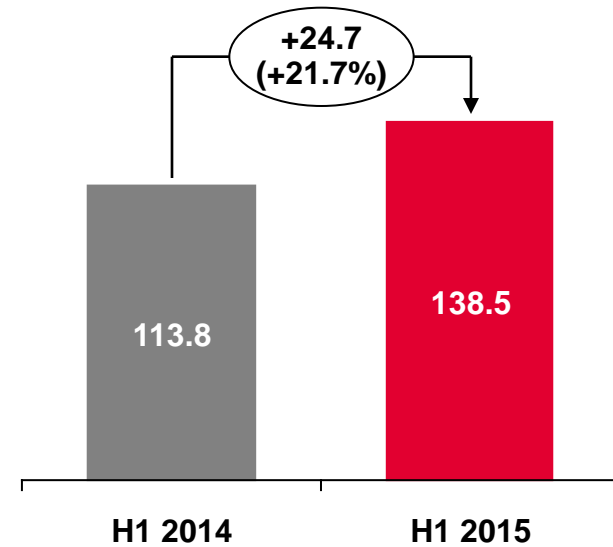
(acc. to IFRS in € million)



- €67.7 million Versatel EBITDA in H1 2015

EBIT

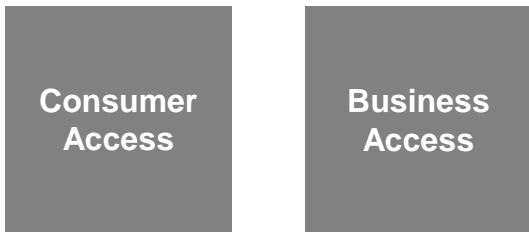
(acc. to IFRS in € million)



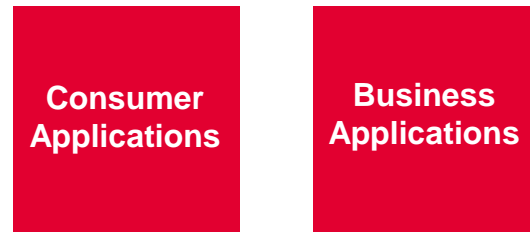
- €2.7 million Versatel EBIT in H1 2015

■ “Applications” in H1 2015

ACCESS



APPLICATIONS



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

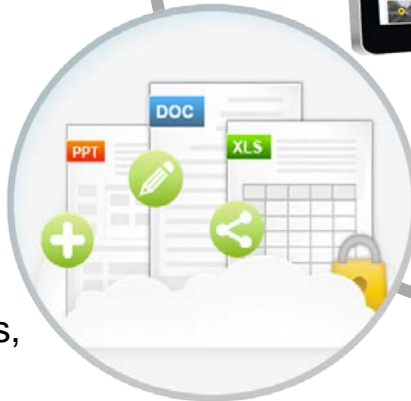
Communication and organization
e-mail, calendar, contacts, SMS, fax



De-Mail
legally secure communication and identity management



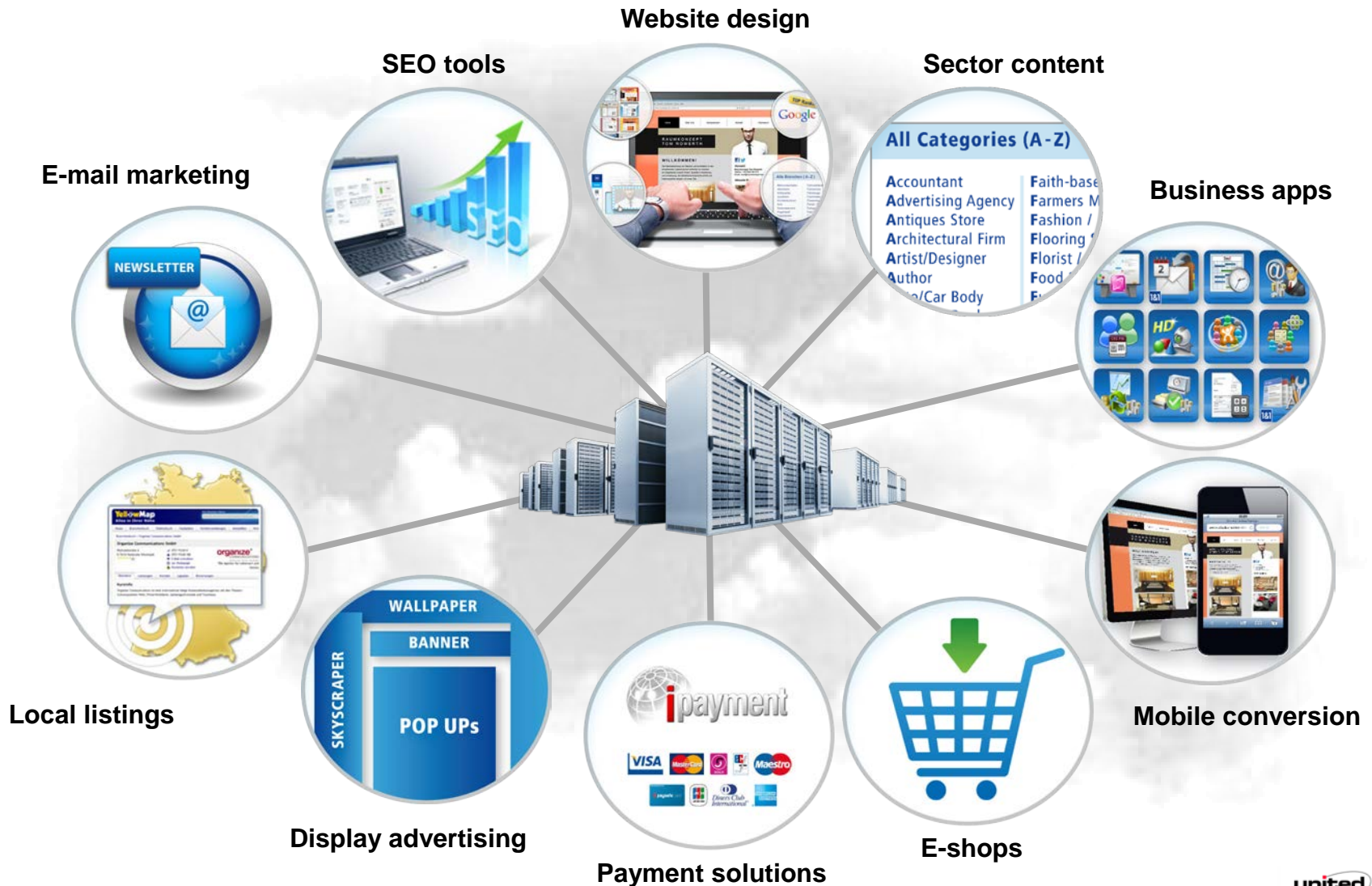
Online office
texts, spreadsheets, presentations



Online storage
for photos, videos, music and documents



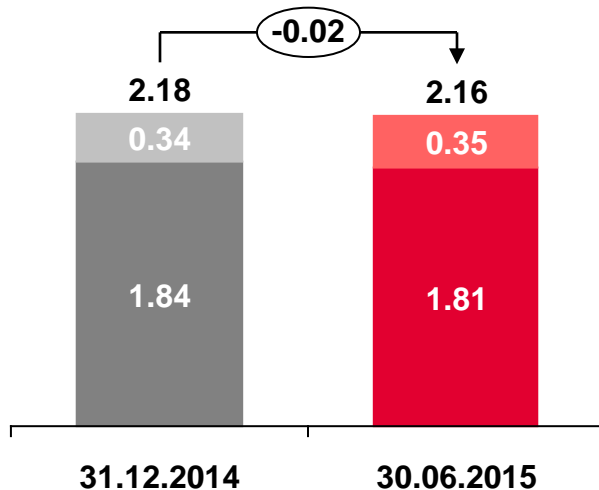
Business Applications: from webhoster to e-business solutions provider



■ Applications: contract development

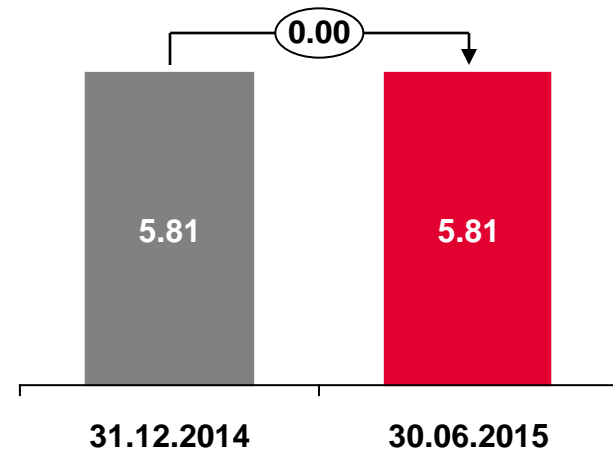
Consumer Applications (contracts in million)

- Accounts with Value Added subscription
- Accounts with Premium Mail subscription



- Restricted marketing for pay products
- Additional 31.95m free accounts (+0.51m as of 30.06.2014), thereof:
 - 14.4m with mobile usage (+2.2m)
 - 16.7m with cloud storage (+1.6m)

Business Applications (contracts in million)

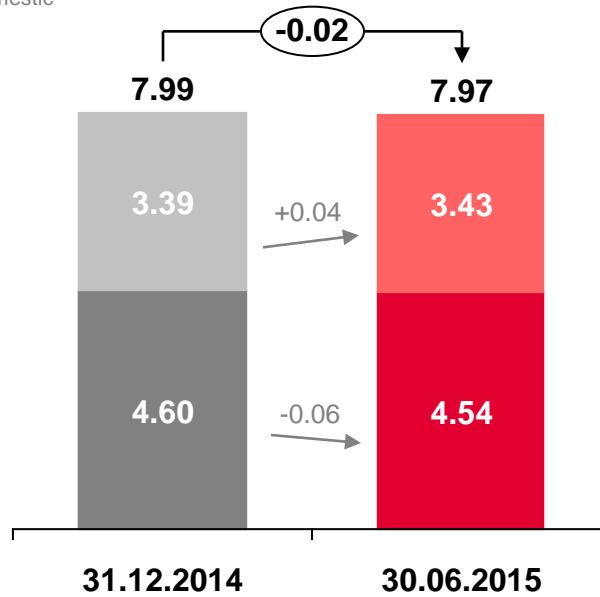


- Focus on upselling to existing customers

■ Applications: customer contracts and sales

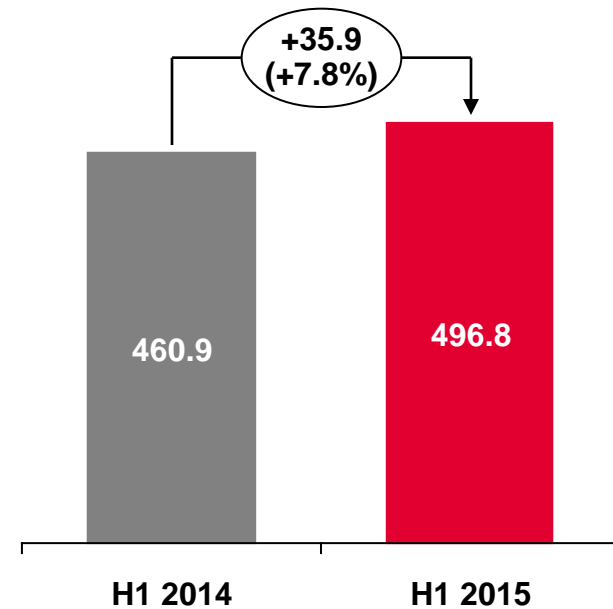
Customer contracts, total (in million)

■ Abroad
■ Domestic



Sales

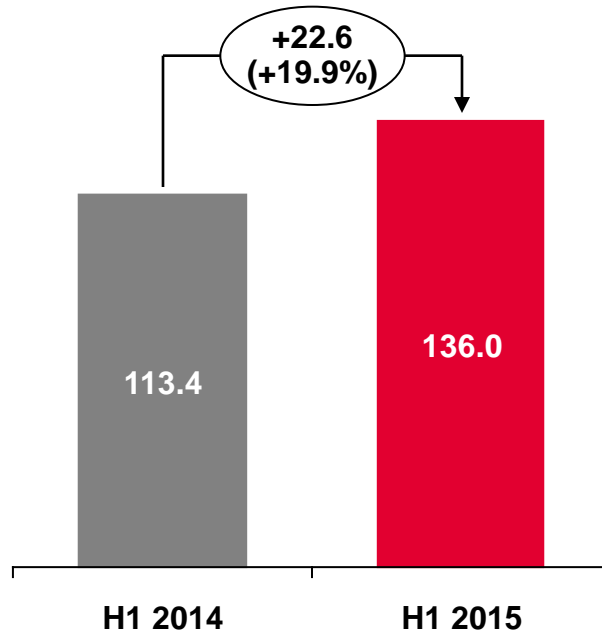
(acc. to IFRS in € million)



■ Applications: EBITDA and EBIT

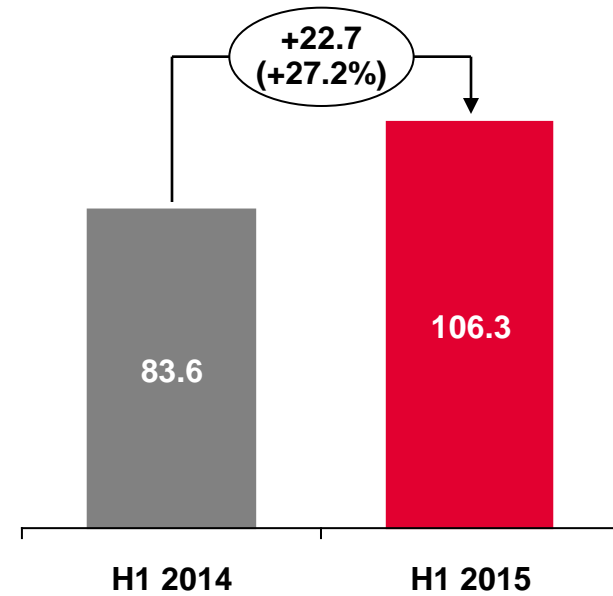
EBITDA

(acc. to IFRS in € million)



EBIT

(acc. to IFRS in € million)



Outlook

■ Outlook

Due to strong customer acquisition figures in the first six months, we are raising our guidance for contract growth

- Approx. 880,000 customer contracts (previous forecast: 800,000)
- Approx. 20% sales growth
- Approx. 40% improvement in EBITDA
- Additional customer growth is expected to come from Access segment (Mobile Internet)
- In our Applications segment, we hope to conclude the acquisition of home.pl in the second half of the year and begin examining the possibility of an IPO for our Business Applications segment
- In late June 2015, we signed an agreement to sell shares in virtual minds and reduce our stake from 48.65% to 25.10%; subject to anti-trust approval, we expect proceeds of € 13.4 million (thereof € 8.0 million EBITDA-effective)

A solid red square is centered on a white background. Inside the square, the text "Results H1 2015" is written in white, bold, sans-serif font.

**Results
H1 2015**

■ Consolidated customer, sales and earnings development as of 30 June 2015 (acc. to IFRS in € million)

| | H1 2014 | H1 2015 | Change |
|------------------------------------|---------|---------|-----------|
| Mobile Internet contracts | 2.23 | 2.99 | ■ + 0.76m |
| DSL contracts | 3.68 | 4.25 | ■ + 0.57m |
| Business Applications contracts | 5.77 | 5.81 | ■ + 0.04m |
| Consumer Applications contracts | 2.19 | 2.16 | ■ - 0.03m |
| Free accounts | 31.44 | 31.95 | ■ + 0.51m |
| Sales | 1,433.6 | 1,823.4 | ■ + 27.2% |
| EBITDA | 237.6 | 351.3 | ■ + 47.9% |
| EBIT | 193.5 | 242.3 | ■ + 25.2% |
| EBT | 186.9 | 238.8 | ■ + 27.8% |
| EPS (in €) | 0.66 | 0.85 | ■ + 28.8% |
| EPS before PPA amortization (in €) | 0.68 | 0.93 | ■ + 36.8% |

■ Consolidated: balance sheet as of 30 June 2015 (I)

(acc. to IFRS in €k)

| Assets | 31.12.2014 | 30.06.2015 | Comments: |
|---|-------------------|-------------------|---|
| Property, plant and equipment / intangible assets | 1,074,776 | 1,040,493 | ▪ Capex: € 70.7m; D&A: € 109.0m |
| Goodwill | 977,043 | 984,845 | ▪ Particularly from currency effects |
| Financial assets | 730,219 | 1,048,185 | ▪ Stock exchange value Drillisch, Hi-Media, Hipay and Rocket Internet (€ 995.5m) plus 5 further strategic investments |
| Accounts receivable | 216,648 | 221,757 | ▪ Due to expansion of the business |
| Inventories, prepaid expenses and other assets | 623,910 | 354,789 | ▪ Prepaid expenses: € 187.2m; inventories: € 39.4m; deferred tax assets: € 90.9m |
| Cash and cash equivalents | 50,829 | 67,497 | |
| Total | 3,673,425 | 3,717,566 | |

■ Consolidated balance sheet as of 30 June 2015 (II)

(acc. to IFRS in €k)

| Liabilities and equity | 31.12.2014 | 30.06.2015 | Comments: |
|--|------------------|------------------|---|
| Equity | 1,204,729 | 1,112,355 | ▪ Equity ratio: 29.9% (PY 32.8%) |
| Liabilities due to banks | 1,374,002 | 1,552,970 | ▪ Bank liabilities (net): € 1,485.5m (PY € 1,323.2m) |
| Trade accounts payable | 360,334 | 323,137 | |
| Accrued taxes and deferred tax liabilities | 212,822 | 216,803 | |
| Other accrued liabilities | 48,455 | 45,017 | |
| Other liabilities | 238,202 | 223,973 | ▪ Thereof non-current: € 95.7m (IRUs / leased network of Versatel) |
| Deferred revenues | 234,881 | 243,311 | |
| Total | 3,673,425 | 3,717,566 | |

■ Consolidated cash flow as of 30 June 2015

(acc. to IFRS in €k)

| | H1 2014 | H1 2015 | Comments: |
|-------------------------------------|---------|----------|--|
| Operative cash flow | 165,646 | 272,516 | |
| Cash flow from operating activities | 175,039 | 179,376 | |
| Cash flow from investing activities | -41,557 | -539,496 | <ul style="list-style-type: none"> ▪ Increase due in particular to Versatel capex, participation in Drillisch and capital increase Rocket |
| Free cash flow* | 154,215 | 119,739 | |

* 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!**