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## **Integration of 1&1 Telecommunication SE into Drillisch under the umbrella of United Internet: Conclusion of a Business Combination Agreement**

**Maintal, May 12, 2017.** Today the Management Boards of Drillisch Aktiengesellschaft (“Drillisch”) and United Internet AG (“United Internet”) 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 and specifies the key details of this acquisition. With its conclusion, the two companies aim to merge Drillisch’s mobile communications business with United Internet’s mobile and fixed-network business, which is bundled in 1&1 Telecommunication. In doing so, they intend to create a strong fourth player in the German telecommunications market alongside the three major full-service providers (Deutsche Telekom, Vodafone and Telefónica).

United Internet’s telecommunications business with retail customers (DSL and mobile telecommunications) is bundled in 1&1 Telecommunication, a wholly-owned subsidiary of United Internet. The retail business (DSL), previously pursued by United Internet’s subsidiary 1&1 Versatel, was also transferred to 1&1 Telecommunication 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 the 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, the valuation of 1&1 Telecommunication SE is agreed at €5.85 billion.

Drillisch and 1&1 Telecommunication (including 1&1 Versatel’s retail business) together have more than 12 million customer contracts according to the 2016 business figures, and had combined sales of over €3.2 billion.

The integration of 1&1 Telecommunication into Drillisch offers extensive synergies and growth opportunities for both United Internet and Drillisch. 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.

These 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 antitrust authorities stipulated that Telefónica must allow third parties substantial unrestricted access to the

network. The MBA MVNO agreement guarantees Drillisch full access to latest-generation network technologies at very good terms and conditions for the next years. On this basis, the company has already expanded considerably over the last two years. However, the company sees potential for further growth, since the share of the network that Drillisch has exclusive rights to use increases every year – to up to 30% in 2020 with the option to extend the agreement to at least 2030. Together with 1&1 Telecommunication, Drillisch intends to further accelerate its growth and be able to utilize its future capacities even better.

The acquisition of 1&1 Telecommunication by 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.

The transaction will be accompanied by a voluntary public tender offer submitted by United Internet for all outstanding shares of Drillisch Aktiengesellschaft. United Internet (the “Bidder”) today decided to extend an offer to Drillisch shareholders to purchase their Drillisch bearer shares, each representing a proportionate amount of the share capital of €1.10, against payment of a cash consideration of €50.00 per share (the “Offer Price”) by way of a voluntary public tender offer (the “Tender Offer”). That is 8.2% more than the three-month volume weighted average share price of Drillisch stock at the closing price 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. 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).

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.

Further details of the Business Combination Agreement are included in the report of the Management Board of Drillisch Aktiengesellschaft dated May 12, 2017. The report will be published shortly on Drillisch's website at [www.drillisch.de/investor-relations/aoHV2017](http://www.drillisch.de/investor-relations/aoHV2017).

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### **Important notice:**

This publication is neither an offer to purchase nor a solicitation of an offer to sell shares of Drillisch Aktiengesellschaft. The final terms of the takeover offer by United Internet AG 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 shares of Drillisch Aktiengesellschaft 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.

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 Drillisch Aktiengesellschaft. Such forward-looking statements are based on current plans, estimates and forecasts which Drillisch Aktiengesellschaft has 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 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. Drillisch Aktiengesellschaft does not assume an obligation to update the forward-looking statements with respect to the actual development or incidents, basic conditions, assumptions or other factors.