AD-HOC DISCLOSURE ACC. TO ART. 17 MAR

United Internet with successful first half-year 2019 / share buyback program decided

- Customer contracts: + 440,000 to 24.29 million contracts
- Sales: + 1.1% to EUR 2.576 billion
- EBITDA: + 11.4% to EUR 630.0 million acc. to IFRS 16 (prior year: EUR 565.5 million acc. to IFRS 15); comparable growth acc. to IFRS 15: + 3.6%
- EBIT: + 4.5% to EUR 390.8 million
- EPS: EUR 0.84, without Tele Columbus impairment EUR 1.01 EUR (+ 11.0%)
- EPS before PPA and without Tele Columbus impairment: EUR 1.25 (+ 7.8%)
- 2019 guidance concretized
- Share buyback program decided

Montabaur, August 14, 2019. United Internet AG can look back on a successful first six months of 2019. In the highly competitive environment of its Consumer Access segment, the company once again succeeded in visibly increasing its high-margin service revenues. The same applies to the Business Access segment, which achieved significant growth in revenue and earnings and is increasingly exploiting the potential of its fiber-optic network. At the same time, the Consumer Applications segment continued to drive forward the repositioning of its portals and the establishment of data-driven business models, while the Business Applications segment focused on its rebranding program with the new “1&1 IONOS” brand (formerly: “1&1”) – thus taking a further step toward the targeted IPO. Following a transition phase, the latter will take place under the future independent “IONOS” brand.

In the first six months of 2019, United Internet made further investments in new customer contracts and the expansion of its existing customer relationships, and thus in sustainable growth. All in all, the number of fee-based customer contracts was raised by 440,000 to 24.29 million contracts. Of this total, 380,000 contracts were added in the Consumer Access segment. A further 10,000 and 50,000 contracts resulted from the Consumer Applications and Business Applications segments, respectively.

Consolidated sales grew by 1.1% in the first half of 2019, from EUR 2,548.9 million in the previous year to EUR 2,575.8 million. This at first glance only moderate growth was due in particular to fluctuations during the year in (low-margin) hardware sales (EUR -41.4 million compared to the previous year), as well as sales effects from increased demand for LTE mobile tariffs among existing customers (sales reduced by EUR -23.1 million due to lower basic prices in the first year of the contract; prior year: EUR -4.5 million) in the Consumer Access segment. In addition, there is the reduction in ad space started in April 2018 as part of a repositioning in the Consumer Applications segment (EUR -11.2 million; prior year: EUR -4.7 million).

Earnings before interest, taxes, depreciation and amortization (EBITDA) were positively influenced by the initial application of IFRS 16 (EUR +44.3 million) in the first half of 2019. In addition to one-off expenses already announced (EUR -2.3 million; prior year: EUR -7.7 million), there were opposing effects in the Consumer Access segment from preliminary additional costs (EUR -37.1 million) for wholesale purchases after the time-limited adjustment mechanism of a wholesale agreement expired at the end of 2018. Contrary to original expectations, no decision has been taken yet regarding a replacement or compensation for the expired arrangement. However, the corresponding wholesale prices are currently the subject of arbitration proceedings, in the course of which a binding decision on the type and amount of a permanent price adjustment will now be made by the end of October 2019. The company expects this expert decision to result in lower wholesale prices with a retrospective effect. Furthermore, future investments (implemented as planned), such as the repositioning of the Consumer Applications segment (EUR -9.9 million; prior year: EUR -5.1 million) and an increase in marketing expenses in the Business Applications segment (EUR -26.8 million), had an initial negative effect on earnings. Increased marketing expenses included a one-off amount of EUR -13.7 million for rebranding measures (prior year: one-offs of EUR -6.2 million for integration projects).

All in all, EBITDA of the United Internet Group rose by 11.4% in the first half of 2019, from EUR 565.5 million (acc. to IFRS 15) to EUR 630.0 million (acc. to IFRS 16). The comparable growth according to IFRS 15 amounted to 3.6%.

Earnings before interest and taxes (EBIT) were virtually unaffected by IFRS 16 accounting and rose by 4.5%, from EUR 373.8 million to EUR 390.8 million. EBIT also includes the above mentioned burdens on earnings and one-offs.

Earnings per share (EPS) fell from EUR 0.91 to EUR 0.84. This was due to non-cash impairment charges on shares held in Tele Columbus of EUR -34.2 million as a result of closing-date effects. An amount of EUR -43.1 million was recognized for this item in the first quarter and the amount is to be updated during the year depending on the share price. Without consideration of impairment charges (EPS effect: EUR -0.17), operating EPS for the first six months of 2019 amounted to EUR 1.01 – corresponding to year-on-year growth of 11.0%. EPS before PPA writedowns rose from EUR 1.16 to EUR 1.25.

Outlook 2019

Due in particular to weaker sales in the company's (low-margin) hardware business and increased demand for LTE mobile tariffs among existing customers during the year, United Internet's Management Board is updating its sales guidance for the fiscal year 2019. Adjusted for hardware, sales are now expected to rise by approx. 3%. Including hardware sales, total sales are expected to increase by approx. 2% (previously: approx. 4%). As a result of the low earnings contribution of the hardware business and the advantageous LTE purchasing model, this will have no significant impact on EBITDA.

Due to the revision of subscriber line charges after planning for 2019 was completed (increase as of July 2019 by approx. EUR -10 million) and initial costs in connection with planning and preparations for the 5G mobile network (approx. EUR -5 million), the Management Board is updating its EBITDA guidance to growth of approx. 11% instead of previously approx. 12% (or approx. 7% instead of previously approx. 8% according to IFRS 15).

Share buyback program decided

With the approval of the Supervisory Board, the Management Board of United Internet AG today resolved to launch a new share buyback program. In the course of this share buyback program, up to 6 million company shares (corresponding to approx. 2.93% of the capital stock of EUR 205,000,000) are to be bought back. The volume of the share buyback program amounts to EUR 192.0 million in total. The program is to be launched on August 16, 2019 and will be completed by March 31, 2020 by buying shares back via the stock exchange.

United Internet AG is thus utilizing the authorization issued by the company's Annual Shareholders' Meeting of May 18, 2017 to buy back treasury shares representing up to 10% of the company's capital stock at the time of the resolution or, if the amount is lower, at the time of exercising the authorization. The authorization was issued for the period up to September 18, 2020 and has not been utilized so far. The company currently holds 4,702,990 treasury shares from previous share buyback programs, corresponding to approx. 2.29% of capital stock.

Treasury shares can be used for all purposes permitted by the authorization of the Annual Shareholders' Meeting of May 18, 2017. The shares may also be cancelled.

The share buyback will be based on the provisions of Regulation (EU) No. 596/2014 of April 16, 2014, as last amended on June 23, 2016, and the Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016. Further details will be published before the start of the share buyback program. United Internet AG reserves the right to cancel the program at any time.

An overview of all key figures and the half-year financial report 2019 are available online (as of August 15, 2019) at www.united-internet.de.

About United Internet

With over 24 million fee-based customer contracts and around 37 million ad-financed free accounts, United Internet AG is a leading European internet specialist. At the heart of United Internet is a high-performance "Internet Factory" with approx. 9,150 employees, of which around 3,000 are engaged in product management, development and data centers. In addition to the high sales strength of its established brands (such as 1&1, GMX, WEB.DE, 1&1 IONOS, STRATO, 1&1 Versatel and the brands of Drillisch Online), United Internet stands for outstanding operational excellence with over 61 million customer accounts worldwide.

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Note

In the interests of clear and transparent reporting, the annual financial statements and interim statements of United Internet AG, as well as its ad-hoc announcements pursuant to Art. 17 MAR, contain additional financial performance indicators to those required under International Financial Reporting Standards (IFRS), such as EBITDA, EBITDA margin, EBIT, EBIT margin and free cash flow. Information on the use, definition and calculation of these performance measures is provided in the Annual Report 2018 of United Internet AG from page 52 onwards.