

## PRESS RELEASE

### FY 2017 figures set new records in customer contracts, sales and earnings

- Customer contracts: + 6.10 million to 22.89 million
- Sales: + 10.5% to EUR 4.206 billion
- EBITDA: + 17.3% to EUR 979.6 million
- Additionally: EUR 273.7 million extraordinary result
- Guidance 2018 (IFRS 15): sales growth to approx. EUR 5.2 billion, EBITDA increase to approx. EUR 1.2 billion

**Montabaur, March 21, 2018.** United Internet AG maintained its growth trajectory in the fiscal year 2017. The company once again posted improvements in its customer contract figures, sales revenues, and key earnings ratios, while reaching its guidance. Moreover, the investment of Warburg Pincus in the Business Applications division (February 2017), the complete acquisitions of Strato (April 2017) and ProfitBricks (August 2017), and the merger with Drillisch (September 2017) were successfully closed during the reporting period. In addition, affilinet GmbH was contributed to AWIN AG – controlled by Axel Springer – in exchange for 20% of AWIN shares. As a result, affilinet is no longer included in the sales and earnings figures.

The number of fee-based customer contracts in current product lines was raised organically by 0.88 million in the fiscal year 2017. In addition, there were a further 5.22 million customer contracts from the initial consolidation of Drillisch and Strato.

Fee-based customer contracts in current product lines (in million)	Dec. 31, 2016	Dec. 31, 2017	Change
Customer contracts, total	16.79	22.89	+ 6.10
thereof organic			+ 0.88
thereof from initial consolidation of Drillisch			+ 3.35
thereof from initial consolidation of Strato			+ 1.87

Apart from the 22.89 million customer contracts in current product lines, the company holds a further 0.47 million contracts without basic monthly fees and service provider contracts (volume-based tariffs / MSP tariffs) from the Drillisch acquisition. In addition, there are 0.11 million DSL contracts in the phased-out T-DSL / R-DSL product lines.

Consolidated sales grew by 10.5% to EUR 4.206 billion in the fiscal year 2017 (comparable prior-year figure: EUR 3.808 billion). Revenue contributions from Strato, ProfitBricks and Drillisch were offset in part by burdens on sales from regulation effects (international roaming / termination fees) and negative currency effects.

Development of consolidated sales (in EUR million)	2016	2017	Change
Sales	3,808.1	4,206.3	+ 10.5%
thereof from Strato/ProfitBricks consolidation		104.0	
thereof from Drillisch consolidation		223.0	
thereof negative regulation effects		- 44.5	
thereof negative currency effects		- 8.2	

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose by 17.3% to EUR 979.6 million in the fiscal year 2017 (comparable prior-year figure: EUR 835.4 million). This figure was impacted by new earnings contributions from Strato, ProfitBricks and Drillisch, as well as – with an opposing effect – by regulation effects and costs for the Telefónica DSL migration, and negative currency effects.

Development of consolidated EBITDA (in EUR million) – without extraordinary result of EUR 273.7 million in 2017	2016	2017	Change
EBITDA	835.4	979.6	+ 17.3%
thereof from Strato/ProfitBricks consolidation		39.7	
thereof from Drillisch consolidation		56.8	
thereof negative regulation effects / costs for Telefónica DSL migration		- 17.1	
thereof negative currency effects		- 3.5	

In addition, EBITDA was influenced by a positive net extraordinary result of EUR 273.7 million. This figure results from one-off, non-cash-effective extraordinary income from the Drillisch acquisition (due to the revaluation of Drillisch shares acquired before the complete transaction was closed) and the complete takeover of ProfitBricks (due to the revaluation of previously held ProfitBricks shares), as well as opposing transaction and restructuring costs.

Earnings before interest and taxes (EBIT) rose by 9.8% to EUR 705.9 million in the fiscal year 2017 (comparable prior-year figure: EUR 642.7 million). The lower percentage growth compared to EBITDA results from increased purchase price allocation (PPA) amortization from the takeovers of Drillisch and Strato.

EBIT was also improved by the above mentioned extraordinary result of EUR 273.7 million in total. There was an opposing effect for this item from the trademark writedowns of a Group subsidiary totaling EUR 20.7 million.

Including all above mentioned extraordinary effects, EBITDA rose to EUR 1,253.3 million and EBIT to EUR 958.9 million.

Operating EPS before PPA amortization, resulting in particular from the Versatel, Strato and Drillisch takeovers, amounted to EUR 2.34 (comparable prior-year figure without Rocket impairments: EUR 2.27). In addition, there was a net positive impact on EPS in the reporting period from the above mentioned extraordinary result (EPS effect: EUR 1.43) and – with an opposing effect – from trademark writedowns (EPS effect: EUR -0.07), financing costs in connection with the total Drillisch transaction (EPS effect: EUR -0.01), Rocket impairments (EPS effect: EUR -0.10) and one-off tax effects from the Warburg Pincus investment in the Business Applications division and Drillisch takeover (EPS effect: EUR -0.21). All in all, EPS from continued operations rose from EUR 2.27 to EUR 3.38.

“Our key performance figures for customer contracts, sales and earnings all made good progress in the past year. In addition to organic growth, our transactions also had a positive impact – especially the takeover of Strato and merger with Drillisch. We have become significantly stronger and sharpened our competitive edge,” states Ralph Dommermuth, CEO of United Internet, in his summary of the fiscal year 2017.

#### **Dividend**

At the Annual Shareholders' Meeting on May 24, 2018, the Management Board and Supervisory Board will propose an increase in the dividend, from EUR 0.80 per share in the previous year to EUR 0.85. Based on 199.9 million shares with dividend rights (as of: December 31, 2017), this would represent a dividend payout of EUR 169.9 million for the fiscal year 2017.

#### **Outlook 2018**

Approximately 1.2 million new DSL and mobile internet contracts are expected to be added in 2018. Key growth drivers for the Consumer Access business will be coordinated branding, increased marketing budgets, and much greater use of subsidized smartphones (mostly without initial additional payment), also when sold via GMX and WEB.DE, as well as the 1&1 Drillisch discount brands (smartmobil.de, yourfone, winSIM etc.). This affects both new and existing customers. Further growth is also anticipated for the Business Access and Business Applications divisions in 2018.

In May 2014, the International Accounting Standards Board (IASB) published the standard IFRS 15 “Revenue from Contracts with Customers”. Application is mandatory in reporting periods beginning on or after January 1, 2018.

Sales of United Internet according to IFRS 15 are expected to reach approx. EUR 5.2 billion in fiscal year 2018 (prior year: EUR 4.21 billion). In addition to the planned organic growth and the full-year consolidation of Strato, ProfitBricks and Drillisch, this revenue growth will result from the increased usage of subsidized smartphones in connection with earlier recognition of hardware sales according to IFRS 15 (sales effect: approx. EUR 200 million).

Consolidated EBITDA of approx. EUR 1.2 billion is anticipated (prior year: EUR 980 million). This figure includes a burden on earnings of approx. EUR 300 million from additional smartphone subsidies (refinanced via higher tariff prices) and – with an opposing positive effect – approx. EUR 300 million from accounting according to IFRS 15. EBITDA is also expected to include approx. EUR 50 million in synergy effects from the merger with Drillisch, especially via savings in the procurement of wholesale network services and smartphones. These savings will be offset by approx. EUR 50 million for the increased marketing budget and changes in the ad space monetization of GMX and WEB.DE.

In addition, the EBITDA forecast includes approx. EUR 50 million one-off expenses for integration projects.

An overview of all key figures and the annual financial statements 2017 are available online (as of March 22, 2018) at [www.united-internet.de](http://www.united-internet.de).

#### **About United Internet (as of: December 31, 2017)**

With around 23 million fee-based customer contracts and over 35 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. 9,000 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, STRATO, 1&1 Versatel and 1&1 Drillisch), United Internet stands for outstanding operational excellence with over 58 million customer accounts worldwide.

#### **Contact partner**

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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 of United Internet AG from page 46 onwards.