AD-HOC DISCLOSURE ACC. TO ART. 17 MAR

Following receipt of the draft expert determination in a price adjustment procedure, United Internet AG corrects its EBITDA forecast for fiscal year 2019 to approx. EUR 1,250 million.

Montabaur, 24 October 2019. In its financial reporting, United Internet subsidiary 1&1 Drillisch AG has communicated that certain advance service prices are the subject of a number of expert proceedings initiated by 1&1 Drillisch and that, in these proceedings, 1&1 Drillisch expects binding decisions about the kind and amount of permanent price adjustments in the form of retroactively lower advance service prices.

Today, 1&1 Drillisch has received the draft of the expert determination in the first price adjustment procedure, which was initiated with effect as of September 2017 (Price Review 1). 1&1 Drillisch’s application for the advance service prices to be reduced retroactively from this point in time was rejected. The final expert determination in Price Review 1 is expected to be issued in mid-November. It follows from the draft of the expert determination that the financials of 2017 and – at least for the time being – that the 2018 and 2019 results of 1&1 Drillisch do not improve due to price decreases. Also, a price increase due to the lapse of a contractual adjustment mechanism for certain advance service prices that was limited in time to the end of 2018 (effect in 2019 of approx. EUR 85 million) remains at least for the time being valid.

1&1 Drillisch did not include any price decreases for advance service prices in its annual forecast 2019. However, 1&1 Drillisch expected to be able to avert the price increase effective as of January 2019 in the context of continuously decreasing market prices for mobile data usage. According to the draft of the expert determination in the first price adjustment procedure, this was not successful and will now be the subject of further price reviews.

The decisions in the three further price reviews initiated by 1&1 Drillisch (with retroactive effect as of July 2018 (Price Review 2), January 2019 (Price Review 3) and July 2019 (Price Review 4), respectively) are expected in 2020. These are separate procedures that are to be decided on the basis of their respective effective dates and market conditions.

Subject to possible changes in the final expert determination, 1&1 Drillisch now expects to incur additional costs due to the price increase in fiscal year 2019 in the amount of EUR 85, at least until a possible clarification in the context of further price reviews.

Against this background, United Internet is correcting its EBITDA forecast for the current fiscal year 2019 by EUR 85 million and now expects an EBITDA of approx. EUR 1,250 million.

In parallel to the price reviews, the justification of a price increase requested by the advance service provider in December 2018 in referencing the 2015 frequency auction is being reviewed in further expert proceedings. The requested price increase amounts to around EUR 12 million yearly for a five-year period of service from July 2015 to June 2020. A decision is expected on this matter in 2020 also. 1&1 Drillisch does not consider the request justified.
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.