

Press release

Warburg Pincus acquires stake in United Internet's "Business Applications" division as part of strategic partnership

Montabaur, November 8, 2016. United Internet AG and WP XII Venture Holdings S.a.r.l., an affiliate of private equity funds managed by Warburg Pincus LLC (collectively "Warburg Pincus"), today signed an agreement regarding a 33.33% stake of Warburg Pincus in the United Internet division Business Applications.

The transaction values the business currently pooled by United Internet within the company 1&1 Internet SE at EUR 2.55 billion.

The "Business Applications" division pooled under 1&1 Internet SE (part of the overall "Applications" segment of United Internet) comprises the hosting business with domains, home pages, webhosting, servers and e-shops, professional e-mail solutions, online storage and marketing tools. 1&1 Business Applications products are targeted at freelancers and SMEs in numerous European countries (Germany, France, UK, Italy, Austria, Poland, Spain) as well as North America (Canada, Mexico, USA). The "Business Applications" division also comprises the foreign companies belonging to 1&1 Internet SE as well as all subsidiaries (e.g. Fasthosts, Arsys, home.pl, InterNetX, united-domains and Sedo) and the respective service companies.

The investment of Warburg Pincus will be made via a holding company still to be founded. A consideration of up to EUR 450 million has been agreed for the 33.33% stake of Warburg Pincus. This is based on the division's equity value of EUR 1.35 billion. This corresponds to the division's enterprise value after deducting internal loan receivables of United Internet AG totaling EUR 1.20 billion which arose from United Internet's transfer of the business to the new structure and are subject to standard market interest rates.

After closing the transaction, United Internet AG will remain the majority shareholder with a 66.67% stake in the newly founded holding company and will continue to fully consolidate its Business Applications division in its annual and quarterly financial statements.

As part of its strategic partnership, Warburg Pincus will support the current management team of the "Business Applications" division. To this end, Mr. René Obermann, Managing Director of Warburg Pincus International LLC, will join the Supervisory Board of the Business Applications division.

The common goal of the partnership is to extend the division's market leadership in Europe with top-quality and innovative webhosting products and cloud applications, as well as first-class customer service. Warburg Pincus will contribute its global market expertise and its access to industry experts with regard to the organic growth, the development of new and innovative products and services, as well as potential future acquisitions and mergers.

The transaction offers 1&1 Internet SE flexibility with regard to future strategic options, including a potential IPO in the coming years.

The transaction is still subject to approval by the relevant antitrust authorities.

“With the support of Warburg Pincus – and especially of Mr. René Obermann as a future Supervisory Board member of the Business Applications division – and the industry expertise of this global growth investor, we aim to expand our leading position in our international webhosting and cloud application business and accelerate sales growth both organically and via M&A activities. We intend to use the funds from Warburg Pincus’s share acquisition to actively shape the expected market consolidation process,” stated Ralph Dommermuth, CEO of United Internet, in his summary of the objectives for the planned partnership.

“Ralph Dommermuth is a successful and highly respected entrepreneur in the internet and telecom domain whom I have known for many years as both a competitor and business partner. We are convinced that our institutions can work together extremely well to build one of the international leaders in webhosting and innovative cloud-based services. I look forward to working closely with the entire team,” commented René Obermann, Managing Director of Warburg Pincus.

About United Internet

With 16.46 million fee-based customer contracts and 33.36 million ad-financed free accounts, United Internet AG is Europe’s leading internet specialist. At the heart of United Internet is a high-performance “Internet Factory” with approx. 8,100 employees, of which around 2,700 are engaged in product management, development and data centers. In addition to the high sales strength of its established brands (1&1, GMX, WEB.DE, united-domains, Fasthosts, Arsys, home.pl, InterNetX, Sedo, affilinet and 1&1 Versatel), United Internet stands for outstanding operational excellence with around 50 million customer accounts worldwide.

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About Warburg Pincus

Warburg Pincus LLC is a leading global private equity firm focused on growth investing. The firm has more than \$40 billion in private equity assets under management. The firm’s active portfolio of more than 120 companies is highly diversified by stage, sector and geography. Warburg Pincus is an experienced partner to management teams seeking to build durable companies with sustainable value. Founded in 1966, Warburg Pincus has raised 15 private equity funds, which have invested more than \$58 billion in over 760 companies in more than 40 countries. Since inception, Warburg Pincus has invested more than \$13.7 billion in telecommunication, media and technology companies. In particular, Warburg Pincus has been a leading investor in communication services businesses, including investments in BEA Systems, Bharti Airtel, Endurance International, Fidelity National Information Systems, Interactive Data, Nuance Communications, and WEX. To date, Warburg Pincus has announced investments of over \$800m in 13 companies in Germany including Blue Yonder, easycash, Domus Healthcare, ipan, Inexio and United Internet. The firm is headquartered in New York with offices in Amsterdam, Beijing, Hong Kong, London, Luxembourg, Mumbai, Mauritius, San Francisco, São Paulo, Shanghai and Singapore. For more information please visit www.warburgpincus.com.

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