Annual Financial Statements 2019

MANAGEMENT REPORT FOR THE GROUP AND PARENT COMPANY

ANNUAL FINANCIAL STATEMENTS OF THE PARENT COMPANY ACC. TO HGB

MANAGEMENT REPORT

Notes:

Due to calculation processes, tables and references may produce rounding differences from the mathematically exact values (monetary units, percentage statements, etc.)

For reasons of better readability, the additional use of the female form is omitted in this report. United Internet would like to stress that the use of the masculine form is to be understood purely as the gender-neutral form.

These Annual Financial Statements are available in German and English. Both versions can also be downloaded at www.united-internet.de. In all cases of doubt, the German version shall prevail.

Notice of unaudited sections in the Combined Management Report of United Internet AG for the Company and the Group as of December 31, 2019

In addition to regular management report disclosures, it is possible that reporting may also include non-management report-related disclosures (those not required by law) which are not subject to a substantive audit by the auditor. Moreover, certain information may not be verifiable by the auditor: such "non-auditable information" cannot be assessed by the auditor due to the nature of the disclosures or the absence of suitable criteria.

In the Combined Management Report of United Internet AG for the Company and the Group, the following chapters or disclosures were identified as "non-audited management report disclosures":

- The disclosures made in the subsection "1.4 Research and development" are "non-audited management report disclosures", as the content of "non-management report-related disclosures" is not audited.

- The "quarterly development" tables contained in the subsections "2.2 Business development" and "2.3 Position of the Group" with key financial figures on a quarterly basis for the segments and the Group are "non-audited management report disclosures" as United Internet does not subject its Interim Financial Statements to a review or audit.

- The disclosures made about "Green IT" and "Social responsibility" in the subsection "2.4 Significant non-financial performance indicators" are "non-audited management report disclosures" as the content of "non-management report-related disclosures" is not audited.

- The disclosures made in chapter "7. Declaration on Company Management/Corporate Governance Report" are "non-audited management report disclosures" as an audit of the disclosures contained in the Declaration on Company Management in accordance with section 317 (2) sentence 6 HGB is limited to the fact that the information has been provided and the Corporate Governance Report in chapter 7 constitutes a "non-management report-related disclosure" which is not subject to a substantive audit.

1. GROUP AND COMPANY PROFILE

1.1 Business model

Group structure

Founded in 1998 and based in Montabaur, Germany, United Internet AG is the **parent company** (hereinafter also referred to as "the Company") of the United Internet Group.

Together with its service company United Internet Corporate Services GmbH, United Internet AG focuses mainly on centralized functions such as Finance, Corporate Controlling & Accounting, Tax, Investment Management, Press Relations, Investor Relations, Legal, Corporate Governance, Compliance & Sustainability, Risk Management, Corporate Audit, HR Management, Facility Management, Procurement, and Corporate IT.

Compared to the previous year, there were only minor changes in the Group structure as of December 31, 2019.

Operating activities in the **Consumer Access segment** are mainly managed by the companies Drillisch Online GmbH and 1&1 Telecom GmbH – under the umbrella of 1&1 Drillisch AG.

In its **Business Access segment**, United Internet mainly operates via 1&1 Versatel GmbH – held by United Internet Service Holding GmbH.

Operating activities in the **Consumer Applications segment** are primarily managed via the companies 1&1 De-Mail GmbH, 1&1 Mail & Media GmbH and United Internet Media GmbH – pooled together under 1&1 Mail & Media Applications SE.

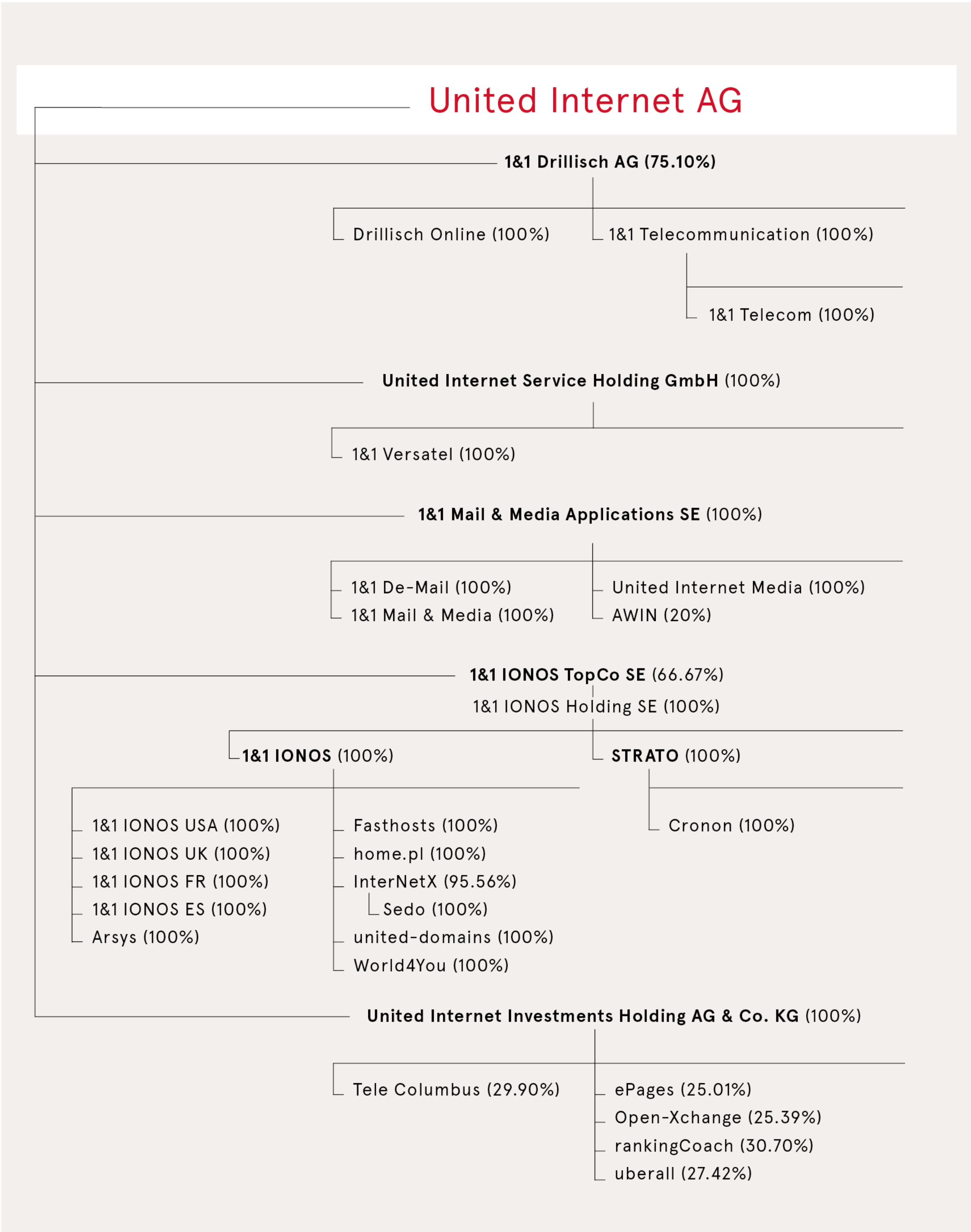
In its **Business Applications segment**, United Internet is primarily active via Strato AG and its subsidiary Cronon GmbH (formerly: Cronon AG) – held by the holding companies 1&1 IONOS TopCo SE (formerly: 1&1 Internet TopCo SE) and 1&1 IONOS Holding SE (formerly: 1&1 Internet Holding SE) – as well as via 1&1 IONOS SE and its main domestic and foreign subsidiaries. These include – in addition to the foreign subsidiaries 1&1 IONOS Inc. (USA), 1&1 IONOS Ltd. (formerly: 1&1 Internet Ltd., UK), 1&1 IONOS S.A.R.L. (formerly: 1&1 Internet S.A.R.L., France), and 1&1 IONOS España S.L.U. (formerly: 1&1 Internet España S.L.U., Spain) – in particular Arsys Internet S.L.U. (Spain), Fasthosts Internet Ltd. (UK), home.pl S.A. (Poland), InterNetX GmbH, Sedo GmbH, united-domains AG, and World4You Internet Services GmbH (Austria).

In addition to these operative and fully consolidated subsidiaries, United Internet held a number of other **investments** as of December 31, 2019.

These mainly consist of equity interests – held by United Internet Investments Holding AG & Co. KG – in the listed company Tele Columbus AG, Berlin (29.90%), as well as investments in the strategic partners ePages GmbH, Hamburg (25.01%), Open-Xchange AG, Cologne (25.39%), rankingCoach International GmbH, Cologne (30.70%), and uberall GmbH, Berlin (27.42%). In addition, United Internet holds shares in AWIN AG, Berlin (20.00%), via 1&1 Mail & Media Applications SE – following the contribution of affilinet to AWIN in 2017.

Further details on these investments and changes in investments are provided in section 2.2 "Business development" under "Group investments".

A simplified illustration of the Group structure of United Internet with its significant operating subsidiaries and investments – as of December 31, 2019 – is shown in the following chart.



Business operations

With 24.74 million fee-based customer contracts (prior year: 23.85 million) and 37.59 million ad-financed free accounts (prior year: 37.00 million), United Internet is a leading European internet specialist.

The Group’s operating business is divided into the two business divisions “Access” and “Applications”, which in turn are divided into the reporting segments “Consumer Access” and “Business Access”, as well as “Consumer Applications” and “Business Applications”.

Access division

The Access division, with its two segments Consumer Access and Business Access, comprises United Internet’s fee-based access products for its consumer and business customers. In its consumer business, these include broadband and mobile access products with the respective applications (such as home networks, online storage, telephony, video-on-demand, or IPTV), while the business segment offers data and network solutions for small and medium-sized enterprises (SMEs), as well as infrastructure services for large corporations.

With a current length of around 48,500 km, United Internet operates one of Germany’s largest fiber-optic networks. Moreover, the Company – indirectly via 1&1 Drillisch AG, acquired in 2017 – is the only MBA MVNO in Germany with long-term rights to a share of up to 30% of the used network capacity of Telefónica Germany and thus extensive access to one of Germany’s largest mobile networks. In the fiscal year 2019, United Internet also successfully participated in the 5G spectrum auction and purchased two frequency blocks of 2 x 5 MHz in the 2 GHz band and five frequency blocks of 10 MHz in the 3.6 GHz band. By acquiring these frequencies, the foundation was laid for the development of the Company’s own powerful mobile communications network. In addition to its own landline network and privileged access to the Telefónica network, the Company also purchases standardized network services from various pre-service providers. These wholesale services are enhanced with end-user devices, self-developed applications and services from the Company’s own “Internet Factory” in order to differentiate them from the competition.

In its Access division, United Internet operates exclusively in Germany, where it is one of the leading providers – based on customer contracts and sales revenues.

Access products are marketed via well-known brands, such as 1&1, or discount brands, such as yourfone and smartmobile.de, which enable the Company to offer a comprehensive range of products while also targeting specific customer groups.

Applications division

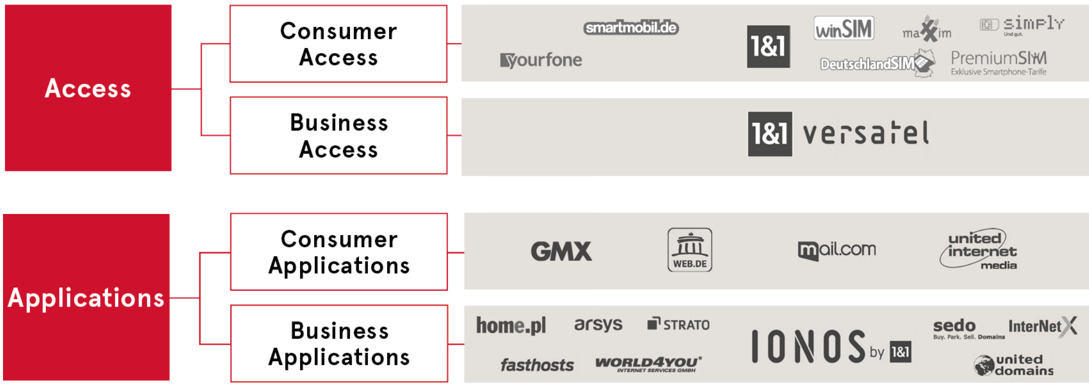
The Applications division, with its two segments Consumer Applications and Business Applications, comprises ad-financed and fee-based application products for consumer and business customers. These applications include domains, home pages, web hosting, servers and e-shops, Personal Information Management applications (e-mail, to-do lists, appointments, addresses), group work, online storage, and office software.

The applications are developed at the Company’s own “Internet Factory”, or in cooperation with partner firms, and operated on around 90,000 servers at the Company’s 10 data centers.

In its Applications division, United Internet is also a leading global player – based on domains, customer contracts, and sales revenues– with activities in Europe (Germany, France, the UK, Italy, the Netherlands, Austria, Poland, Switzerland, and Spain) and North America (Canada, Mexico, and the USA).

Applications are marketed to specific home-user and business-user target groups via the differently positioned brands GMX, mail.com, WEB.DE, IONOS, Arsys, Fasthosts, home.pl, InterNetX, Strato, united-domains, and World4You. Via the Sedo brand, United Internet also offers customers professional services in the field of active domain management. Free apps are monetized via advertising run by United Internet Media.

Divisions, segments and brands (as of: December 31, 2019)



Management

The **Management Board** of United Internet AG comprised the following 2 members in fiscal year 2019:

- Ralph Dommermuth, founder and Chief Executive Officer
  (with the Company since 1988)

- Frank Krause, Chief Financial Officer
  (with the Company since 2015)

As in the previous year, the **Supervisory Board** of United Internet AG elected by the Annual Shareholders' Meeting 2015 comprised the following three members in fiscal year 2019:

- Kurt Dobitsch, chair

- Michael Scheeren, deputy chair

- Kai-Uwe Ricke

Main markets and competition

Germany is the most important **sales market** of the United Internet Group by far and accounted for almost 92% of total global sales in the fiscal year 2019.

Besides Germany, the Group’s most important sales markets are

- the UK,

- the USA,

- Spain,

- France,

- Poland and

- Austria.

Competitive standing in the Consumer Access segment

Following the merger with Drillisch (now 1&1 Drillisch) in 2017, United Internet is the fourth force in Germany’s telecommunications market with landline and mobile products in its purely domestic Consumer Access segment – based on customer contracts, sales revenues and profitability – after Deutsche Telekom, Vodafone and Telefónica Germany.

Competitive standing in the Business Access segment

United Internet is also a leading company its Business Access segment, whose operations are also limited to Germany. With the fiber-optic network of 1&1 Versatel spanning approximately 48,500 km, United Internet operates one of Germany's largest fiber-optic networks.

Competitive standing in the Consumer Applications segment

In its Consumer Applications segment, United Internet operates in Germany, Switzerland, and Austria via the GMX and WEB.DE brands, as well as in countries such as the USA, UK, France, and Spain via the international brand mail.com. United Internet is the leading provider of e-mail services and one of the leaders in cloud services in its domestic German market – based on the number of users.

Competitive standing in the Business Applications segment

In the globally aligned Business Applications segment, United Internet is active in a total of 12 countries with its hosting and cloud applications. The Company has long been the market leader in Germany – based on the number of managed country domains – and strengthened its position in 2017 with the takeover of its competitor Strato. In other European countries, United Internet's hosting and cloud applications are now available in all major markets – either locally or from Germany. In addition to the domestic German market, these mainly include the major European economies of France, the UK, Italy, Poland, and Spain. With the exception of Italy, the Company is among the market leaders in the aforementioned countries. All in all, therefore, United Internet is also one of the leading European suppliers of hosting and cloud applications – based on the number of managed country domains. Further target markets outside Europe are the North American countries Canada, USA, and Mexico. In the most important of these markets, the USA, United Internet is also one of the leading players in this segment – based on the number of managed country domains. From a global perspective, United Internet is thus one of the leading companies for hosting and cloud applications.

Main locations

As of December 31, 2019, the United Internet Group employed a total of 9,374 people at over 30 domestic and foreign facilities.

Main locations (by headcount; > 50 employees)

Location	Segment	Main Company
Montabaur (HQ)	Corporate functions	United Internet
	Consumer Access	1&1 Telecommunication
Karlsruhe	Corporate functions	United Internet
	Consumer Access	1&1 Telecommunication
	Consumer Applications	1&1 Mail & Media Applications
	Business Applications	1&1 IONOS
Berlin	Consumer Access	1&1 Telecommunication
	Business Access	1&1 Versatel
	Business Applications	1&1 IONOS, Strato
Zweibrücken	Consumer Access	1&1 Telecommunication
	Business Applications	1&1 IONOS
Cebu City (Philippines)	Business Applications	1&1 IONOS
Munich	Consumer Access	1&1 Drillisch
	Consumer Applications	1&1 Mail & Media Applications
Madrid / Logroño (Spain)	Business Applications	1&1 IONOS, Arsys
Stettin (Poland)	Business Applications	home.pl
Flensburg	Business Access	1&1 Versatel
Düsseldorf	Business Access	1&1 Versatel
Krefeld	Consumer Access	1&1 Drillisch
Gloucester (UK)	Business Applications	1&1 IONOS, Fasthosts
Dortmund	Business Access	1&1 Versatel
Bucharest (Romania)	Business Applications	1&1 IONOS
Maintal	Consumer Access	1&1 Drillisch
Essen	Business Access	1&1 Versatel
Chesterbrook / Lenexa (USA)	Business Access	1&1 IONOS
Regensburg	Business Applications	InterNetX
Stuttgart	Business Access	1&1 Versatel
Cologne	Business Applications	Sedo
Starnberg	Business Applications	united-domains

1.2 Strategy

United Internet's business model is based predominantly on customer contracts (electronic subscriptions) with fixed monthly amounts and contractually agreed terms. Such a business model ensures generally stable and plannable revenue and cash flows, protects against macroeconomic effects, and provides the financial scope to grasp opportunities in new/extended business fields and new/extended markets – organically, or via acquisitions and investments.

The large number of customer relationships helps the Company to utilize so-called economies of scale: the more customers using the products created by our development teams and operated at our own data centers, and/or transport data via our own networks, the greater our profit will be. These profits can then be invested in new customers, new developments, and new or extended business fields.

From the current perspective, Cloud Applications and Mobile Internet will be the growth markets over the coming years. With its clear positioning in the Access and Applications segments, United Internet is well placed to exploit the expected market potential.

In view of the dynamic market development of Cloud Applications and Mobile Internet, the Company's growth opportunities are clearly apparent: universally accessible, increasingly powerful broadband connections are enabling new and more sophisticated cloud applications. These internet-based programs for private users and companies will also be United Internet's growth drivers in the years ahead – both as stand-alone products in the Applications division, as well as in combination with landline and mobile access products in the Access division.

With its many years of experience as an access and application provider, its expertise in software development and data center operation, marketing, sales and customer support, as well as its strong and well-known brands (such as 1&1, GMX and WEB.DE), and customer relationships with millions of private users, freelancers, and small companies in Germany and abroad (currently over 62 million user accounts world-wide), the Company is excellently positioned.

In order to leverage this positioning for further sustainable growth, United Internet will also invest heavily in new customers, new products, and new or extended business fields in the future, as well as in its further internationalization.

In addition to organic growth, United Internet also continuously seeks possibilities for company acquisitions, investments, and partnerships in order to extend its market positions and competencies.

Thanks to its high and plannable level of free cash flow, United Internet has a strong source of internal funding as well as good access to debt financing markets. Further information on the Company's equity strength and external financing is presented in section 2.2 "Business development" and 2.3 "Position of the Group".

Further information on strategy, opportunities and targets is included in the "Risk, Opportunity and Forecast Report" in section 4.

1.3 Control systems

The internal control systems help management steer and monitor the Group and its segments. The systems consist of planning, actual situation, and forecast calculations based on the Group's annually revised strategic planning. Particular attention is paid to market developments, technological developments, and trends, as well as their impact on the Group's own products and services, and the Group's financial possibilities. The corporate control system's aim is the continuous and sustainable development of United Internet and its subsidiaries.

The Group's reporting system comprises the monthly profit calculations and quarterly IFRS-compliant reports for all consolidated subsidiaries. It presents the financial position and performance of the Group and all divisions. Financial reporting also includes other detailed information which is required for the assessment and control of the operating business.

The key performance indicators of the United Internet Group for chief corporate management are presented in "Segment reporting" under point 5 of the Notes to the Consolidated Financial Statements.

Quarterly reports on significant risks for the Company represent a further component of the control systems.

The above mentioned reports are discussed at meetings of the Management Board and Supervisory Board and provide the fundamental basis for assessments and decisions.

In order to steer the Group's performance, United Internet AG uses in particular the key figures of the income statement (sales, EBITDA, EBIT, EPS), of the statement of cash flows (free cash flow), and of the statement of financial position (asset items, financial liabilities). The Company also employs non-financial key figures, in particular the number and growth of fee-based customer contracts, as well as ad-financed free accounts. The use and definition of the relevant key financial figures is shown in section 2.2.

The key performance indicators (KPIs) used by management are sales and EBITDA. These figures are also used in forecast reporting.

A comparison of the KPIs stated in the forecast and the actual figures is provided in this Management Report in 2.2 "Business Development" in the section "Actual and Forecast Development" as well as in 2.3 "Position of the Group".

The number of customer contracts, the gross and net sales figures, and the related customer acquisition costs in particular – compared to the Company's plans and forecast calculations – serve as an early warning system.

1.4 Research and development

As an internet service provider, the United Internet Group does not engage in research and development (R&D) on a scale comparable with manufacturing companies. Against this backdrop, United Internet does not disclose key figures for R&D.

At the same time, the United Internet brands stand for high-performance internet access, solutions, and innovative web-based products and applications which are mostly developed in-house. The success of United Internet is rooted in an ability to develop, combine, or adapt innovative products and services, and launch them on major markets.

Thanks to its high-performance development teams, United Internet is able to react swiftly and flexibly to new ideas and trends, and to continuously enhance its established products by adapting them to changing market needs – a key success factor in the fast-moving internet market. The Company's expertise in product development, enhancement, and roll-out minimizes its reliance on third party development work and supplies in many areas, and thus ensures decisive competitive and time-to-market advantages.

At United Internet's own development centers (especially in Karlsruhe, Berlin, and Bucharest), around 3,000 developers, product managers, and technical administrators (corresponding to around 32% of all employees) use mainly open source code in clearly defined and modeled development environments. Third-party programming services are also used to swiftly and efficiently implement specific projects. This enables the Company to quickly develop products and adapt them to changing customer needs. United Internet also procures solutions from partners, which are then modified according to needs and integrated into its systems. With the aid of its self-developed applications, United Internet has a set of modules which can be easily combined and provided with product-specific or country-specific user interfaces in order to create a variety of powerful and integrated applications – a huge benefit when tailoring products to varying target groups, or for international rollouts.

Due to the steady growth in customer figures, the demands placed on reliability and availability are constantly rising. In addition to the further development of existing products and continuous optimization of back-end operations, the Company also focuses on continuously enhancing existing processes in order to raise system reliability, and thus also customer satisfaction.

Focus areas 2019

Consumer Access

- Introduction of "eSIM"
- Expansion of Open Access Platform for implementing FTTH connections with speeds of 1 GBit/s
- Roll-out of new set-top box for IPTV
- Development of new IPTV applications for smart TVs based on Android

Business Access

- Basic installation of a Software Defined Network (SDN) - enabling of dynamic products

Consumer Applications

- Launch of "Smart Inbox" for GMX and WEB.DE
- Expansion of big data platform for AI-based smart data platform with self-service analytics
- Introduction of two-factor authentication for GMX and WEB.DE

Business Applications

- Launch of "Private Cloud beta" on VMware basis
- Introduction of new managed Kubernetes product for IONOS Enterprise Cloud to administer container workloads
- Introduction of legally secure and GoBD-compliant e-mail archiving for IONOS customers
- Introduction of integrated eCommerce offering for website modules (MyWebsite) at IONOS
- Integration of Virtual Desktop Infrastructure (VDI) product for Enterprise customers of Arsys
- Introduction of new managed SAP-HANA product for Enterprise customers of Arsys
- Introduction of brand monitoring for over 140 trademark offices
- Introduction of OX App Suite as German alternative to Microsoft Office 365 and G-Suite
- Introduction of Hosted Exchange 2019 as professional e-mail solution for medium-sized and larger enterprises
- Introduction of WordPress pro hosting portfolio specially for professionals and agencies
- Introduction of new professional backup solution for all servers and cloud products of IONOS and IONOS Enterprise Cloud
- Introduction of new dedicated bare metal server with Intel Cascade Lake CPU

2. ECONOMIC REPORT

2.1 General economic and sector conditions

General economic development

The International Monetary Fund (IMF) downgraded its forecasts for the global economy several times in the course of 2019. In the latest update to its "World Economic Outlook" on January 20, 2020, the Fund reported preliminary growth for the **global economy** of 2.9% in 2019. Growth was thus well below the prior-year figure (3.6%) and also 0.6 percentage points below the IMF's outlook in January 2019 (3.5%).

Among other things, the Fund attributed this weaker-than-expected global economic trend to increasing trade barriers and growing uncertainty due to geopolitical risks.

From the point of view of United Internet, the economies of its current target markets all performed worse than originally expected. At the same time, the pace of economic growth in United Internet's target markets was also slower than in the previous year.

With growth of 2.3% in 2019, the **US economy** fell considerably short of its prior-year figure (2.9%) and of the IMF's expectations at the beginning of the year (outlook January 2019: 2.5%). Economic growth of 1.5% in **Canada** was also well below the prior-year figure (1.9%) and likewise failed to reach the IMF's original expectations (1.9%). The **Mexican** economy stagnated with growth of 0.0%, falling well short of the prior-year figure (2.1%) and the IMF forecast (2.1%).

At 1.2%, economic growth in the **eurozone** was much lower than in the previous year (1.9%) and also below the IMF's original expectations (1.6%).

In **France**, the 1.3% increase in economic output was both below the prior-year level (1.5%) and original expectations (1.7%). With economic growth of 2.0%, **Spain** failed to match its prior-year figure (2.4%) and the IMF's original forecast (2.2%). The same applies to **Italy,** where growth of just 0.2% was well below both the prior-year level (0.8%) and the original forecast of the IMF (0.6%).

With growth of 1.3%, the economic trend in the non-euro country **UK** was unchanged from the previous year but also below the IMF's original expectations (1.5%).

The IMF calculated economic growth of just 0.5% for **Germany,** United Internet's most important market (sales share 2019: almost 92%), for 2019. This is 1.0 percentage point less than in the previous year (1.5%) and 0.8 percentage points below the original expectations (1.3%). The IMF's calculations for Germany are also largely in line with the preliminary figures of the country's Federal Statistics Office (Destatis), which calculated growth (after price and calendar adjustments) in gross domestic product (GDP) of 0.6% (prior year: 1.5%).

Changes in growth forecasts made during 2019 for United Internet's key target countries and regions

	January forecast	April forecast	July forecast	October forecast	Actual 2019	Change on January forecast
World	3.5%	3.3%	3.2%	3.0%	2.9%	-0.6%-points
USA	2.5%	2.3%	2.6%	2.4%	2.3%	-0.2%-points
Canada	1.9%	1.5%	1.5%	1.5%	1.5%	-0.4%-points
Mexico	2.1%	1.6%	0.9%	0.4%	0.0%	-2.1%-points
Eurozone	1.6%	1.3%	1.3%	1.2%	1.2%	-0.4%-points
France	1.5%	1.3%	1.3%	1.2%	1.3%	-0.2%-points
Spain	2.2%	2.1%	2.3%	2.2%	2.0%	-0.2%-points
Italy	0.6%	0.1%	0.1%	0.0%	0.2%	-0.4%-points
UK	1.5%	1.2%	1.3%	1.2%	1.3%	-0.2%-points
Germany	1.3%	0.8%	0.7%	0.5%	0.5%	-0.8%-points

Source: International Monetary Fund, World Economic Outlook (Update), January 2020

Multi-period overview: GDP trend in United Internet's key target countries and regions

	2015	2016	2017	2018	2019	YoY change
World	3.2%	3.2%	3.7%	3.6%	2.9%	-0.7%-points
USA	2.6%	1.5%	2.3%	2.9%	2.3%	-0.6%-points
Canada	0.9%	1.4%	3.0%	1.9%	1.5%	-0.4%-points
Mexico	2.6%	2.9%	2.0%	2.1%	0.0%	-2.1%-points
Eurozone	2.0%	1.8%	2.4%	1.9%	1.2%	-0.7%-points
France	1.3%	1.2%	1.8%	1.7%	1.3%	-0.4%-points
Spain	3.2%	3.3%	3.1%	2.4%	2.0%	-0.4%-points
Italy	0.7%	0.9%	1.6%	0.8%	0.2%	-0.6%-points
UK	2.2%	1.9%	1.7%	1.3%	1.3%	0.0%-points
Germany	1.5%	1.9%	2.5%	1.5%	0.5%	-1.0%-points

Source: International Monetary Fund, World Economic Outlook (Update), January 2020

Multi-period overview: development of price- and calendar-adjusted GDP in Germany

	2015	2016	2017	2018	2019	YoY change
GDP	1.5%	2.1%	2.8%	1.5%	0.6%	-0.9%-points

Source: German Federal Statistical Office, January 2020

Development of sector / core markets

At its annual press conference on January 14, 2020, the industry association Bitkom forecast that the **ICT market in Germany** had grown significantly by 2.0% (prior year: + 2.2%) to € 169.6 billion in 2019. At the beginning of 2019, the association had anticipated that growth would be 0.5 percentage points lower at 1.5%.

With sales of € 92.9 billion and growth of 2.9% (prior year: + 3.5%), the **IT sector** continued to display the strongest growth and also the largest market volume. Vendors of software (+ 6.3%) and IT services (+ 2.4%) once again posted the strongest growth in 2019.

The **telecommunications market** recorded growth once again in 2019 with an increase of 2.0% (prior year: + 1.9%) to € 68.1 billion. There were increases in sales of user devices (+ 11.1%) and telecommunication infrastructure (+ 1.5%), while telecommunication services stagnated at the prior-year level.

The **consumer electronics** market continued its decline with a strong decrease in sales of - 7.7% (prior year: - 6.6%) to € 8.6 billion.

The most important ICT markets for United Internet's business model are the German telecommunications market (broadband connections and mobile internet) in its mostly subscription-financed Access division, and the global cloud computing, and German online advertising markets for its subscription- and ad-financed Applications division.

(Stationary) broadband market in Germany

In view of the high level of household coverage already achieved and the strong trend toward mobile internet usage, demand for new landline broadband connections in Germany has slowed in recent years. With expected growth of 1.0 million, or 2.9%, to 35.2 million in 2019, the number of new connections was again well below earlier record years. These figures were calculated by the Association of Telecommunications and Value-Added Service Providers (Verband der Anbieter von Telekommunikations- und Mehrwertdiensten – VATM) and Dialog Consult in their joint "21st TC Market Analysis for Germany 2019" (October 2019). Within the above mentioned growth, the connections of relevance for United Internet in the two technology fields of DSL and FTTB/FTTH grew by 0.3 million to 25.3 million and by 0.4 million to 1.5 million. The number of cable connections rose by 0.3 million to 8.4 million. A further 0.1 million connections in Germany are still operated via satellite/powerline.

At € 32.8 billion, revenues generated in United Internet's landline business remained unchanged from the previous year. In addition to retail sales, these revenue figures also include wholesale, interconnection, and terminal device revenues.

According to calculations of Dialog Consult/VATM, the average volume of data used is rising much more strongly than the number of newly activated connections and landline revenues – as an indicator of continued growth in usage of e.g., IPTV and cloud applications – with growth of 26.0% to 137.1 GB (per connection and month). As a result, demand for more powerful broadband connections also developed strongly. For example, the proportion of switched broadband connections with speeds of at least 50 MBit/s increased by 7.0 percentage points, from 33.3% in the previous year to 40.3% in 2019.

Key market figures: fixed-line in Germany

	2019	2018	Change
Fixed-line revenues (in € billion)	32.8	32.8	0.0%

Source: Dialog Consult / VATM, TC Market Analysis for Germany 2019, October 2019

Mobile internet market in Germany

According to estimates of Dialog Consult/VATM in their joint report "21st TC Market Analysis for Germany 2019", the number of active SIM cards in the German mobile communications market increased by 3.8 million, or 2.8%, to 140.8 million.

Mobile revenues also rose by 2.0% to € 25.6 billion. In addition to retail sales, these revenue figures also include interconnection, wholesale, and user device sales.

According to forecasts of Dialog Consult/VATM, the average volume of data used (per connection and month) – as an indicator of the growing use of mobile data services – grew much faster than the number of SIM cards and mobile revenues by 58.6% to 2.5 GB. At the same time, the number of SIM cards suitable for use in 4G/5G networks rose by 7.3 million to 57.5 million, while 2G/3G SIM cards fell by 3.5 million to 83.3 million.

Key market figures: mobile communications in Germany

	2019	2018	Change
Mobile revenues (in € billion)	25.6	25.1	+ 2.0%

Source: Dialog Consult / VATM, TC Market Analysis for Germany 2019, October 2019

Global cloud computing market

There was also further dynamic growth in the cloud computing market in 2019. In an update of its study "Forecast Analysis: Public Cloud Services, Worldwide" (November 2019), Gartner Inc. forecast global growth for public cloud services of 15.8% in 2019, from $ 196.71 billion to $ 227.80 billion.

Cloud computing is no short-term trend, but represents a fundamental shift in the provision and use of IT services. The aforementioned figures indicate the dynamic potential of this market. IT users get better services for less money with cloud computing. Small and mid-size companies in particular can gain access to IT applications which only major corporations could afford in the past.

Key market figures: cloud computing worldwide

in $ billion	2019	2018	Change
Global sales of public cloud services	227.80	196.71	+ 15.8%
thereof Application Infrastructure Services (PaaS)	32.23	26.35	+ 22.3%
thereof Application Services (SaaS)	99.53	85.72	+ 16.1%
thereof System Infrastructure Services (IaaS)	40.32	32.44	+ 24.3%
thereof Management and Security Services	12.03	10.49	+ 14.7%
thereof Business Process Services (BPaaS)	43.69	41.71	+ 4.7%

Source: Gartner, November 2019

German online advertising market

In its study "German Entertainment and Media Outlook 2019-2023" (October 2019), the auditing and consultancy company PricewaterhouseCoopers forecasts an increase in (net) revenues of the German online advertising market of 6.9% to a total of € 8.51 billion in 2019.

With growth of 23.1%, mobile online advertising posted the strongest increase – due in particular to the further sharp rise in the use of mobile devices. However, video advertising and search word marketing also rose strongly once again, with growth of 9.5% and 5.5%, respectively.

Key market figures: online advertising in Germany

in € billion	2019	2018	Change
Online advertising revenues	8.51	7.96	+ 6.9%
thereof search marketing	3.86	3.66	+ 5.5%
thereof display advertising	1.66	1.62	+ 2.5%
thereof mobile online advertising	1.28	1.04	+ 23.1%
thereof affiliate / classifieds	1.02	1.01	+ 1.0%
thereof video advertising	0.69	0.63	+ 9.5%

Source: PricewaterhouseCoopers, German Entertainment and Media Outlook 2019 – 2023, October 2019

Legal conditions / significant events

Legal conditions

The legal parameters for United Internet's business activities remained largely unchanged from the previous year in 2019 and thus had no significant influence on the development of the United Internet Group.

Significant events

- On June 1, 2019, the Federal Network Agency ("Bundesnetzagentur") responsible for regulatory issues in Germany raised prices for the provision of subscriber lines (local loops) as of July 1, 2019. This price increase resulted in a burden on EBITDA of € 8.8 million in the fiscal year 2019.

- In its financial reporting, United Internet subsidiary 1&1 Drillisch AG 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. On October 24, 2019, 1&1 Drillisch 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. 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 remained at least for the time being valid. With the final expert determination received on December 19, 2019, the decision announced in the draft version was confirmed. 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. Against this background, United Internet downgraded its EBITDA forecast for the fiscal year 2019 by approx. € 85 million to an EBITDA of around € 1,250 million after receiving the draft of the expert determination on October 24, 2019. 1&1 Drillisch believes the expert determination is wrong for various reasons and sees methodical mistakes and discrepancies in its content. 1&1 Drillisch is also of the opinion that essential characteristics of the MBA model, which was introduced in the context of the merger clearance of the E-Plus takeover, have not been adequately considered. This includes in particular the special privileges of the MBA MVNO. In the interests of its shareholders, 1&1 Drillisch will consider its legal options. The above mentioned price increase ultimately resulted in a burden on EBITDA of € 83.1 million in the fiscal year 2019.

There were no other significant events in fiscal 2019 which had a material effect on the development of business.

2.2 Business development

Initial application of IFRS 16

On January 13, 2016, the International Accounting Standards Board (IASB) published IFRS 16, a new standard for lease accounting. The new standard is to be applied in fiscal years beginning on or after January 1, 2019 – and thus also for these Annual Financial Statements 2019.

In its lease agreements, United Internet is mainly in the role of lessee and only to a minor extent in the role of lessor. The majority of the Group's leases are for renting network infrastructures, buildings, technical equipment, and vehicles.

According to IFRS 16, leases are no longer regarded as classic rental agreements but as financing transactions: the lessee acquires a right to use the leased asset and finances it via the lease installments. Consequently, the lessee must recognize an asset for the right to use the leased asset and a liability for the payments due for the leased asset in the balance sheet. In this way, every lease and rental relationship is stated in the balance sheet. Only lease or rental agreements with terms of up to twelve months and contracts with low-value assets are excluded from this obligation to be stated in the balance sheet.

On initial application of IFRS 16, United Internet opted to recognize the asset for the right of use granted at the value of the related lease liability as of January 1, 2019 and not to apply the standard retrospectively for each previous reporting period.

Application of the new standard led to an increase in non-current assets (for right-of-use assets) in the consolidated balance sheet of United Internet, and at the same time to an increase in financial liabilities (due to the payment obligation). In the income statement, this resulted in a reduction in rental payments, an increase in depreciation and interest expenses, and thus to a rise in EBITDA. However, other financial performance indicators "below" EBITDA, such as EBIT, EBT, or EPS, are either not affected by the new accounting standard, or only to a minor extent.

Specifically, the initial application of IFRS 16 in the fiscal year 2019 had a positive impact on consolidated EBITDA of around € 87.0 million. These EBITDA effects were mostly in the Business Access (€ +59.6 million) and Business Applications (€ +13.7 million) segments.

In order to provide comparability between the resulting EBITDA figures according to IFRS 16 in the fiscal year 2019 and the resulting EBITDA figures according to IFRS 15 in the fiscal year 2018, the most important effects are reported in the form of additional comments in the sections "Business development" and "Position of the Group".

Use and definition of relevant financial performance measures

In order to ensure the clear and transparent presentation of United Internet's business trend, the Group's Annual Financial Statements and Interim Financial Statements include key financial performance measures – in addition to the disclosures required by International Financial Reporting Standards (IFRS) – such as EBITDA, the EBITDA margin, EBIT, the EBIT margin, and free cash flow.

United Internet defines these measures as follows:

- **EBIT:** Earnings before interest and taxes represents the operating result disclosed in the statement of comprehensive income.

- **EBIT margin:** Presents the ratio of EBIT to sales.

- **EBITDA:** Earnings before interest, taxes, depreciation, and amortization are calculated as EBIT/operating result plus the depreciation and amortization (disclosed in the Consolidated Financial Statements) of intangible assets and property, plant, and equipment, as well as assets capitalized in the course of company acquisitions.

- **EBITDA margin:** Presents the ratio of EBITDA to sales.

- **Free cash flow:** Calculated as cash flow from operating activities (disclosed in the consolidated financial statement), less capital expenditure for intangible assets and property, plant, and equipment, plus payments from the disposal of intangible assets and property, plant, and equipment.

Insofar as necessary for a clear and transparent presentation, these indicators are adjusted for special items. Such special items usually refer solely to those effects capable of restricting the validity of the key financial performance measures with regard to the Group's financial and earnings performance – due to their nature, frequency, and/or magnitude. All special items are presented and explained for the purpose of reconciliation with the unadjusted financial figures in the relevant section of the financial statements. One-off amounts for integration and rebranding projects in the fiscal years 2018 and 2019 were not adjusted but are disclosed in the respective sections.

Currency-adjusted sales and earnings figures are calculated by converting sales and earnings figures with the average exchange rates of the comparative period, instead of the current period.

Actual and forecast development 2019

United Internet AG maintained its growth trajectory in fiscal year 2019. The Company improved its sales and earnings figures once again, and reached its forecast of October 2019.

In the course of its ongoing integration measures in the Consumer Access segment, United Internet adjusted the disclosed sales figures of a Group subsidiary of 1&1 Drillisch acquired in 2017, which previously recognized revenue-reducing effects as cost of sales, and brought it in line with standard Group disclosure methods in the fourth quarter of 2019. To aid comparability, revenue and cost of sales figures for the fiscal year 2018 were also adjusted. As a result, disclosed revenue and cost of sales figures for the previous year in the Consumer Access segment and at Group level were both reduced by € 27.9 million. This merely resulted in a reclassification between these two items in the statement of comprehensive income. The adjustment has no effect on the key earnings figures (EBITDA and EBIT) of the segment or the Group.

Forecast development

United Internet published its guidance for the fiscal year 2019 in its Annual Financial Statements 2018 and specified or adjusted them during 2019 as follows:

	Actual 2018	Forecast 2019 (March 2019)	Specification[1] (August 2019)	Adjustment[2] (October 2019)
Sales	€ 5.103 billion[3]	approx. + 4%	approx. + 2%	approx. + 2%
Sales excl. hardware revenues	€ 4.359 billion		approx. + 3%	approx. + 3%
EBITDA	€ 1.201 billion (IFRS 15)	approx. + 12% (IFRS 16) approx. + 8% (IFRS 15)	approx. + 11% (IFRS 16) approx. + 7% (IFRS 15)	approx. € 1.250 billion (IFRS 16)

(1) Specification of sales forecast due to weaker (low-margin) hardware business and increased demand for LTE mobile tariffs from existing customers during the year. At the same time, the EBITDA forecast has been specified in more detail due to the fact that subscriber line charges will not be newly regulated until after the 2019 plan is drawn up (increase from July 2019; approx. € -10 million expected impact in 2019) and initial costs in connection with planning and preparations for the 5G mobile communications network (approx. € -5 million expected impact in 2019).
(2) Correction of EBITDA forecast following receipt of the draft expert opinion in the first price adjustment procedure initiated with effect from September 2017 (Price Review 1). The application by 1&1 Drillisch for a retroactive reduction of wholesale prices as of this date was not granted. Moreover, a price increase due to the discontinuation of a contractual adjustment mechanism limited in time to the end of 2018 (approx. € -85 million expected effect in 2019) remained valid.
(3) After adjustment of 2018 sales figures for the Consumer Access segment and thus also for the Group as a whole

Actual development

In fiscal year 2019, **consolidated sales** rose by 1.8%, from € 5.103 billion in the previous year to € 5.194 billion and were thus within the target range of the last forecast (approx. + 2%).

The same applies to **sales excluding hardware revenues**, which rose by 3.0%, from € 4.359 billion in the previous year to € 4.491 billion and were thus also within the target range of the forecast (approx. + 3%).

Consolidated EBITDA increased by 5.4% in fiscal year 2019, from € 1.201 billion in the previous year (acc. to IFRS 15) to € 1.266 billion (acc. to IFRS 16) and was thus also within the anticipated target range (approx. € 1.250 billion).

Summary: actual and forecast development of business in 2019

	Actual 2018	Forecast 2019 (October 2019)	Actual 2019
Sales	€ 5.103 billion	approx. + 2%	+ 1.8%
Sales excl. hardware revenues	€ 4.359 billion	approx. + 3%	+ 3.0%
EBITDA	€ 1.201 billion (IFRS 15)	approx. € 1.250 billion (IFRS 16)	€ 1.266 billion (IFRS 16)

Development of divisions and segments

The Group's operating activities are divided into the two business divisions Access and Applications, which in turn are divided into the segments Consumer Access and Business Access, as well as Consumer Applications and Business Applications.

Access division

The Access division, with its two segments Consumer Access and Business Access, comprises United Internet's fee-based access products for its consumer and business customers. In its consumer business, these include broadband and mobile access products with the respective applications (such as home networks, online storage, telephony, video-on-demand, or IPTV), while in the business segment these include data and network solutions for SMEs, as well as infrastructure services for large corporations.

With a current length of around 48,500 km, United Internet operates one of Germany's largest fiber-optic networks. Moreover, the Company – indirectly via 1&1 Drillisch AG acquired in 2017 – is the only MBA MVNO in Germany with long-term rights to a share of up to 30% of the used network capacity of Telefónica Germany and thus extensive access to one of Germany's largest mobile networks. In the fiscal year 2019, United Internet also successfully participated in the 5G spectrum auction and purchased two frequency blocks of 2 x 5 MHz in the 2 GHz band and five frequency blocks of 10 MHz in the 3.6 GHz band. By acquiring these frequencies, the foundation was laid for the development of the Company's own powerful mobile communications network. In addition to its own landline network and privileged access to the Telefónica network, the Company also purchases standardized network services from various pre-service providers. These wholesale services are enhanced with end-user devices, self-developed applications, and services from the Company's own "Internet Factory" in order to differentiate them from the competition.

In its Access division, United Internet operates exclusively in Germany, where it is one of the leading providers – based on customer contracts and sales revenues.

Access products are marketed via well-known brands, such as 1&1, or the discount brands, such as yourfone and smartmobile.de, which enable the Company to offer a comprehensive range of products while also targeting specific customer groups.

Consumer Access segment

In its operating business in 2019, the Consumer Access segment focused on further integration measures in connection with the merger of Drillisch AG (acquired in 2017, now 1&1 Drillisch AG) with 1&1 Telecommunication SE. In so doing, United Internet also adjusted the disclosed sales figures of a Group subsidiary of 1&1 Drillisch acquired in 2017, which previously recognized revenue-reducing effects as cost of sales, and brought it in line with standard Group disclosure methods in the fourth quarter of 2019. To aid comparability, revenue and cost of sales figures for the fiscal year 2018 were also adjusted. As a result, disclosed revenue and cost of sales figures for the previous year in the Consumer Access segment were reduced by € 27.9 million. The adjustment has no effect on the key earnings figures (EBITDA and EBIT) of the segment.

In addition to these integration measures, the segment also focused on adding further valuable broadband and mobile internet contracts. The total number of fee-based contracts in the Consumer Access segment rose by 790,000 contracts to 14.33 million in the fiscal year 2019. A total of 790,000 customer contracts were added in the Mobile Internet business, thus raising the total number of contracts to 9.99 million. The number of broadband connections remained steady at 4.34 million.

Development of Consumer Access contracts in fiscal year 2019

in million	Dec. 31, 2019	Dec. 31, 2018	Change
Consumer Access, total contracts	14.33	13.54	+ 0.79
thereof Mobile Internet	9.99	9.20	+ 0.79
thereof broadband connections	4.34	4.34	0.00

Development of Consumer Access contracts in fiscal year in the fourth quarter of 2019

in million	Dec. 31, 2019	Sept. 30, 2019	Change
Consumer Access, total contracts	14.33	14.12	+ 0.21
thereof Mobile Internet	9.99	9.78	+ 0.21
thereof broadband connections	4.34	4.34	0.00

Sales of the Consumer Access segment rose moderately by 1.3% in the fiscal year 2019, from € 3,600.8 million in the previous year to € 3,647.5 million.

Despite a highly competitive environment, high-margin **service revenues** – which represent the core business of the segment – improved by 3.1%, from € 2,854.4 million to € 2,943.0 million.

This at first glance only moderate overall sales growth was due in particular to fluctuations during the year in (low-margin) **hardware sales** (€ -41.9 million compared to the previous year). Such hardware sales (especially from the use of smartphones which customers acquire for no or only small one-off charges on signing new contracts and which are paid for via higher tariff prices over the contractual term) fluctuate seasonally and depend on the appeal of new devices and the model cycles of hardware manufacturers. Consequently, this effect may be reversed in the future. If this is not the case, however, it would have no significant impact on the segment's EBITDA trend.

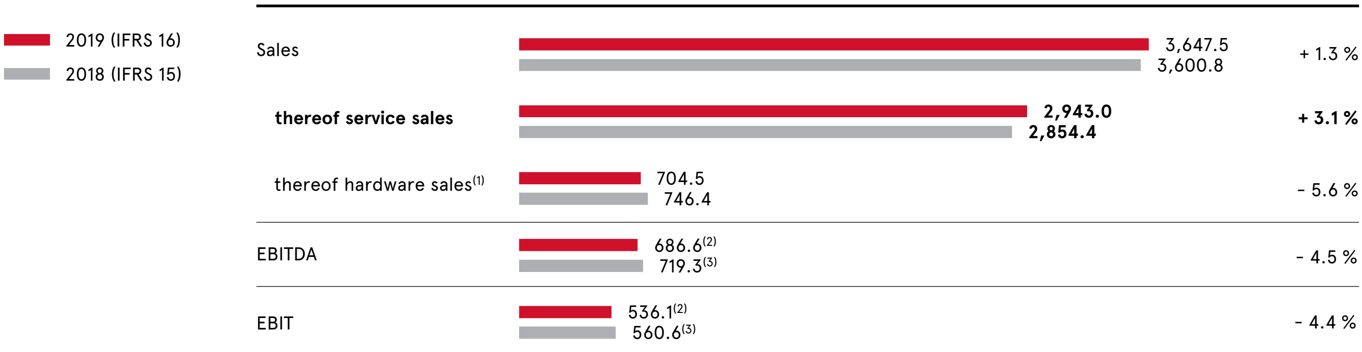
At € 686.6 million, **segment EBITDA** fell short of the prior-year figure (€ 719.3 million). This decline is mainly due to additional costs for wholesale mobile telecommunications purchases (€ -83.1 million) after the time-limited adjustment mechanism of a wholesale agreement expired at the end of 2018. Contrary to original expectations, the expired arrangement could not be compensated for by a price reduction during the reporting period. However, the corresponding wholesale prices are the subject of several arbitration proceedings initiated by 1&1 Drillisch which it expects to result in binding decisions on the requested permanent price adjustments. On October 24, 2019, 1&1 Drillisch received the draft arbitration report on the first price adjustment proceedings (Price Review 1), initiated with effect from September 2017, which rejected 1&1 Drillisch's application for the retroactive reduction of wholesale prices as of the aforementioned date. The consequence of the draft arbitration report was that the financial figures for 2017 and – at least for the time being – the 2018 and 2019 results of 1&1 Drillisch would not be improved by price reductions. Moreover, the aforementioned price increase remained valid – at least for the time being – due to the expiry of the time-limited contractual adjustment mechanism at the end of 2018. In the final expert opinion received on December 19, 2019, the decision announced in the draft version was confirmed.

EBITDA also contains one-off expenses (€ -3.2 million; prior year: € -25.1 million) for current integration projects, the reduction of regulated retail tariffs for calls and text messages to other EU countries since May 15, 2019 (€-5.6 million), the increase in regulated subscriber line charges as of July 1, 2019 (€ -8.8 million), and initial costs in connection with the planning and preparation of the 5G mobile communications network (€ -5.7 million). Without consideration of the above mentioned effects and an –opposing – positive IFRS 16 effect (€ +8.2 million), **like-for-like EBITDA** would have risen by 5.4% over the previous year.

Segment EBIT of € 536.1 million was virtually unaffected by IFRS 16 accounting and also fell short of the prior-year figure (€ 560.6 million). EBIT also includes the above mentioned burdens on earnings as well as one-off expenses.

The number of **employees** in this segment rose by 0.4% to 3,163 in 2019 (prior year: 3,150).

Key sales and earnings figures in the Consumer Access segment (in € million)



(1) Hardware sales incl. small amount of other sales
(2) Including one-off expenses for current integration projects (EBITDA and EBIT effect: €-3.2 million)
(3) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -25.1 million)

Quarterly development; change over prior-year quarter

in € million	Q1 2019 (IFRS 16)	Q2 2019 (IFRS 16)	Q3 2019 (IFRS 16)	Q4 2019 (IFRS 16)	Q4 2018 (IFRS 15)	Change
Sales	895.4	897.5	916.3	938.3	917.3	+ 2.3%
thereof service sales	**720.8**	**731.0**	**748.5**	**742.7**	**718.0**	**+ 3.4%**
thereof hardware sales(1)	174.6	166.5	167.8	195.6	199.3	- 1.9%
EBITDA	168.5(2)	171.9(3)	168.2(4)	178.0(5)	197.5(6)	- 9.9%
EBIT	130.6(2)	134.1(3)	132.0(4)	139.4(5)	159.5(6)	- 12.6%

(1) Hardware sales incl. small amount of other sales
(2) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -2.1 million)
(3) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -0.2 million)
(4) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -1.5 million)
(5) Including one-off expenses for integration projects (EBITDA and EBIT effect: € +0.6 million from reversal of provisions)
(6) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -12.7 million)

Multi-period overview[1]: Development of key sales and earnings figures

in € million	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)
Sales	2,414.0	2,781.6	3,600.8	3,647.5
thereof service sales	**2,317.9**	**2,631.0**	**2,854.4**	**2,943.0**
thereof hardware sales[2]	96.1	150.6	746.4	704.5
EBITDA	395.2	541.2[3]	719.3[4]	686.6[5]
EBITDA margin	16.4%	19.5%	20.0%	18.8%
EBIT	384.5	471.4[3]	560.6[4]	536.1[5]
EBIT margin	15.9%	16.9%	15.6%	14.7%

(1) As the new segmentation was only introduced in the course of preparing the annual financial statements for 2018, the usual 5-year multi-period overview is limited to the financial years 2016-2019
(2) Hardware sales incl. small amount of other sales
(3) Without extraordinary income from revaluation of Drillisch shares (EBITDA and EBIT effect: € +303.0 million) and without restructuring charges in offline sales (EBITDA and EBIT effect: € -28.3 million)
(4) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -25.1 million)
(5) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -3.2 million)

In addition to its operating business, United Internet successfully participated – via 1&1 Drillisch – in the 5G spectrum auction ending on June 12, 2019 and purchased two frequency blocks of 2 x 5 MHz in the 2 GHz band and five frequency blocks of 10 MHz in the 3.6 GHz band. The total auction price amounted to around € 1.07 billion. By acquiring these frequencies, the foundation was laid for a successful and permanent positioning of the 1&1 Drillisch Group as Germany's fourth mobile network provider. The Company intends to use this basis to establish a powerful mobile communications network. While the 3.6 GHz spectrum is already available, the acquired frequency blocks in the 2 GHz band will only be usable from January 1, 2026. With this mind, 1&1 Drillisch has leased two frequency blocks of 10 MHz each in the 2.6 GHz band from Telefónica, which will be available until December 31, 2025. This agreement is based on the commitments given by Telefónica as part of the EU's clearance of its merger with E-Plus in 2014. On September 5, 2019, 1&1 Drillisch also signed an agreement with the German Federal Ministry of Transport and Digital Infrastructure (BMVI) and the German Federal Ministry of Finance (BMF) regarding the construction of mobile communication sites in so-called "not-spots". 1&1 Drillisch is thus helping to close existing supply gaps and improve the provision of mobile communications in rural regions by building hundreds of base stations. In return, 1&1 Drillisch benefits from an agreement allowing it to pay for the acquired 5G spectrum in installments. As a result, the license fees which were originally to be paid to the German government in 2019 and 2024 can now be spread over the period up to 2030. The credit line of originally € 2.8 billion arranged to finance the highest bids of the spectrum auction, among other things, was thus no longer required and has been "returned". The agreement with the BMVI and BMF is in line with 1&1 Drillisch's long-term financing strategy, which is geared toward paying the major share of expenses for the construction of its own mobile communications network from current revenue.

On December 31, 2019, 1&1 Drillisch finally exercised – as planned – the first prolongation option for the extension of the term of the MBA MVNO agreement with Telefónica Deutschland ending on June 30, 2020. As a result, the term of the agreement has now been extended until at least June 30, 2025. In combination with another prolongation option, 1&1 Drillisch has thus secured long-term access to the mobile communications network of Telefónica. In addition, Drillisch continues to pursue the build-up of its own high-performance 5G mobile communications network. In order to ensure continuous availability for its end customers during the build-up of its own nationwide network, Drillisch is also currently negotiating the conclusion of a national roaming agreement based on the voluntary commitment of Telefónica Deutschland in connection with the EU clearance decision in relation to the merger with E-Plus in 2014.

Business Access segment

In the fiscal year 2019, the key topics in the Business Access segment were the expansion of the fiber-optic network and the addition of further sites. The network was expanded from 47,013 km in the previous year to a length of 48,489 km while the number of connected sites was increased from 13,998 to 17,145.

Sales of the Business Access segment rose by 2.3% in the fiscal year 2019, from € 465.9 million in the previous year to € 476.6 million.

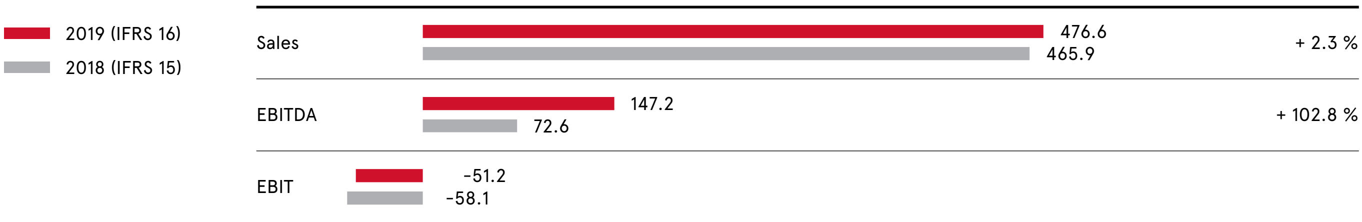
Segment EBITDA improved by 102.8%, from € 72.6 million to € 147.2 million. This increase was also attributable to effects from the initial application of IFRS 16 (€ +59.6 million). Without consideration of these effects, **like-for-like EBITDA** rose by 20.7%.

The increases in sales and EBITDA demonstrate that 1&1 Versatel is increasingly succeeding in exploiting the potential of its fiber-optic network to an ever greater extent.

As a result of high depreciation charges in the field of network infrastructure due to customer growth and further Layer2 connections that will only be amortized in subsequent periods, **segment EBIT** amounted to € -51.2 million – compared to € -58.1 million in the previous year – and was virtually unaffected by IFRS 16 accounting.

The number of **employees** in this segment rose by 8.1% to 1,184 in 2019 (prior year: 1,095).

Key sales and earnings figures in the Business Access segment



Quarterly development; change over prior-year quarter

in € million	Q1 2019 (IFRS 16)	Q2 2019 (IFRS 16)	Q3 2019 (IFRS 16)	Q4 2019 (IFRS 16)	Q4 2018 (IFRS 15)	Change
Sales	119.3	115.0	118.2	124.1	131.3	- 5.5%
EBITDA	35.7	34.4	34.9	42.2	29.0	+ 45.5%
EBIT	-13.5	-15.3	-14.2	-8.2	-5.6	

Multi-period overview [1]: Development of key sales and earnings figures

in € million	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)
Sales	513.7	447.9	465.9	476.6
EBITDA	124.0	81.5	72.6	147.2
EBITDA margin	24.1%	18.2%	15.6%	30.9%
EBIT	-1.0	-40.2	-58.1	-51.2
EBIT margin	-	-	-	-

(1) As the new segmentation was only introduced in the course of preparing the annual financial statements for 2018, the usual 5-year multi-period overview is limited to the financial years 2016-2019

Applications segment

The Applications division, with its two segments Consumer Applications and Business Applications, comprises ad-financed or fee-based application products for consumer and business customers. These applications include domains, home pages, web hosting, servers, and e-shops, Personal Information Management applications (e-mail, to-do lists, appointments, addresses), group work, online storage and office software.

The applications are developed at the Company's own "Internet Factory" or in cooperation with partner firms and operated on around 90,000 servers at the Company's 10 data centers.

In its Applications division, United Internet is also a leading global player – based on domains, customer contracts, and sales revenues – with activities in European countries (Germany, France, the UK, Italy, the Netherlands, Austria, Poland, Switzerland, and Spain) as well as in North America (Canada, Mexico, and the USA).

Applications are marketed to specific home-user and business-user target groups via the differently positioned brands GMX, mail.com, WEB.DE, IONOS, Arsys, Fasthosts, home.pl, InterNetX, Strato, united-domains, and World4You. Via the Sedo brand, United Internet also offers customers professional services in the field of active domain management. Free apps are monetized via advertising run by United Internet Media.

Consumer Applications segment

In the Consumer Applications segment, ad-financed free accounts grew by 590,000 to 37.59 million in the fiscal year 2019. The number of fee-based Consumer Applications accounts (contracts) rose in total by 10,000 to 2.26 million. The total number of Consumer accounts therefore increased by 600,000 to 39.85 million accounts.

Development of Consumer Applications accounts in fiscal year 2019

in million	Dec. 31, 2019	Dec. 31, 2018	Change
Consumer Applications, total accounts	39.85	39.25	+ 0.60
thereof with Premium Mail subscription	1.54	1.54	0.00
thereof with Value-Added subscription	0.72	0.71	+ 0.01
thereof free accounts	37.59	37.00	+ 0.59

Development of Consumer Applications accounts in the fourth quarter of 2019

in million	Dec. 31, 2019	Sept. 30, 2019	Change
Consumer Applications, total accounts	39.85	39.26	+ 0.59
thereof with Premium Mail subscription	1.54	1.54	0.00
thereof with Value-Added subscription	0.72	0.72	0.00
thereof free accounts	37.59	37.00	+ 0.59

As already announced in the Annual Financial Statements 2018, activities in the Consumer Applications segment continued to focus on the repositioning and reconstruction of the GMX und WEB.DE portals (incl. the related reduction in ad space), as well as the simultaneous establishment of data-driven business models. Initial successes are already emerging from this transformation, as reflected by a return to more stable user numbers for fee-based Premium Mail accounts, and growth of 590,000 free accounts compared to December 31, 2018. In addition, over 4.1 million users (as of December 31, 2019) had already opted in for the Smart Inbox around nine months after launch. The first data-driven ad marketing products on this basis were presented at DMEXCO in September 2019. As expected, the above mentioned measures had a negative impact on sales and earnings figures in the fiscal year 2019 and are due to gradually have a positive effect as of fiscal year 2020. Nevertheless, there was slight year-on-year growth in sales and EBITDA again in the fourth quarter of 2019.

Against this backdrop, and as expected, **sales in the segment's core business of pay accounts and the marketing of ad space on its own portals** amounted to € 242.2 million in the fiscal year 2019 and thus fell short of the prior-year figure (€ 250.6 million). This decline in sales is mainly attributable to the ongoing repositioning started in the second quarter of 2018 and the associated reduction in ad space (sales effect: € -25.4 million), which only affected sales in the previous year to a limited extent (€ -17.0 million).

At € 12.8 million, **sales in the field of low-margin, third-party marketing** were well below the prior-year figure (€ 23.6 million).

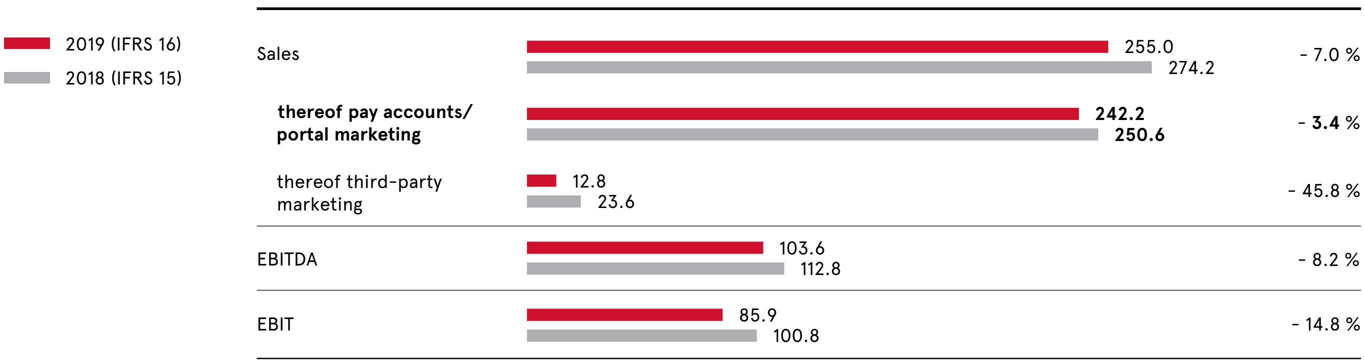
As a result, there was also an overall decline in **total segment sales** from € 274.2 million to € 255.0 million. Without consideration of the ad space reduction and the decline in third-party marketing, **like-for-like sales** remained constant.

Due to the reduction in ad space and investment in the expansion of data-driven business models (EBITDA and EBIT effect: € -24.3 million; prior year: € -15.9 million), **segment EBITDA** of € 103.6 million (prior year: € 112.8 million) was also down on the previous year. Without consideration of the ad space reduction and a positive IFRS 16 effect (€ +4.1 million), **like-for-like EBITDA** declined by -3.8%.

As a result, **segment EBIT** of € 85.9 million was also down on the previous year (prior year: € 100.8 million) and was virtually unaffected by IFRS 16 accounting.

The number of **employees** in this segment rose by 6.3% to 1,007 in 2019 (prior year: 947).

Key sales and earnings figures in the Consumer Applications segment (in € million)



Quarterly development; change over prior-year quarter

in € million	Q1 2019 (IFRS 16)	Q2 2019 (IFRS 16)	Q3 2019 (IFRS 16)	Q4 2019 (IFRS 16)	Q4 2018 (IFRS 15)	Change
Sales	60.4	63.4	60.7	70.6	70.3	+ 0.4%
thereof pay accounts/portal marketing	**57.9**	**58.6**	**57.8**	**67.9**	**67.8**	**+ 0.1%**
thereof third-party marketing	2.5	4.8	2.9	2.7	2.5	+ 8.0%
EBITDA	21.4	25.9	23.3	33.1	32.9	+ 0.6%
EBIT	18.3	20.9	19.0	27.7	30.0	- 7.7%

Multi-period overview(1): Development of key sales and earnings figures

in € million	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)
Sales	283.6	284.2	274.2	255.0
thereof pay accounts/portal marketing	**269.3**	**264.6**	**250.6**	**242.2**
thereof third-party marketing	14.3	19.6	23.6	12.8
EBITDA	127.6	124.0	112.8	103.6
EBITDA margin	45.0%	43.6%	41.1%	40.6%
EBIT	115.0	112.1	100.8	85.9
EBIT margin	40.6%	39.4%	36.8%	33.7%

(1) As the new segmentation was only introduced in the course of preparing the annual financial statements for 2018, the usual 5-year multi-period overview is limited to the financial years 2016-2019

Business Applications segment

In addition to projects aimed at integrating Strato and ProfitBricks (both acquired in 2017), activities in the Business Applications segment during 2019 focused on driving the rebranding of "1&1 Internet" via the transitional brands "1&1 IONOS" and "IONOS by 1&1" – thus taking a further step toward the targeted IPO. Following a transition phase, the IPO is then to be held in future under the independent "IONOS" brand.

A further focus area in 2019 was once again the sale of additional features to existing customers (e.g., further domains, e-shops, and business apps), as well as the acquisition of high-value customer relationships. Nevertheless, the number of fee-based Business Applications contracts was also raised organically by 90,000 contracts in the fiscal year 2019 to a total of 8.15 million.

Development of Business Applications contracts in the fiscal year 2019

in million	Dec. 31, 2019	Dec. 31, 2018	Change
Business Applications, total contracts	8.15	8.06	+ 0.09
thereof in Germany	3.90	3.82	+ 0.08
thereof abroad	4.25	4.24	+ 0.01

Development of Business Applications contracts in the fourth quarter of 2019

in million	Dec. 31, 2019	Sept. 30, 2019	Change
Business Applications, total contracts	8.15	8.13	+ 0.02
thereof in Germany	3.90	3.88	+ 0.02
thereof abroad	4.25	4.25	0.00

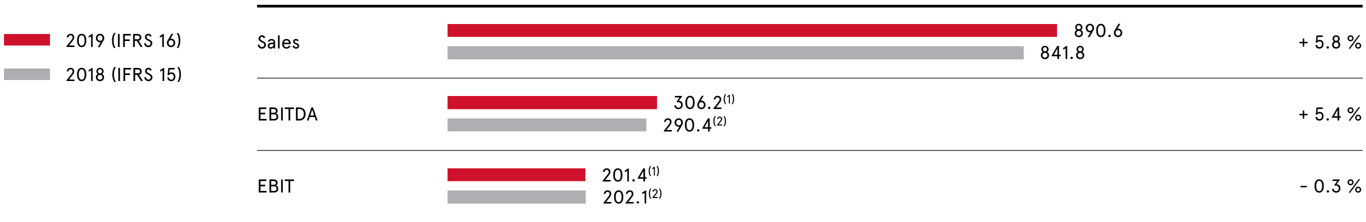
Sales of the Business Applications segment rose by 5.8% in the fiscal year 2019, from € 841.8 million in the previous year to € 890.6 million.

Despite increased marketing expenses (€ -26.7 million, including one-offs for rebranding measures of € -19.2 million (prior year: one-offs for integration projects of € -16.6 million)), **segment EBITDA** of € 306.2 million was 5.4% up on the previous year (€ 290.4 million). The strong increase in marketing expenses was opposed by positive effects from the initial application of IFRS 16 (€ +13.7 million). Without consideration of these effects, **like-for-like EBITDA** grew by 4.0%.

EBIT also includes the above mentioned burdens on earnings and one-offs. In addition, there was an increase in depreciation (due in part to the acquisition of World4You and the expansion of the server parks). Against this backdrop, **segment EBIT** of € 201.4 million was slightly below the prior-year figure (€ 202.1 million) and was virtually unaffected by IFRS 16 accounting. The above segment EBIT figure does not include a one-off effect from trademark writeups on the "Strato" brand (€ +19.4 million).

The number of **employees** in this segment rose by 1.8% to 3,416 (prior year: 3,355).

Key sales and earnings figures in the Business Applications segment (in € million)



(1) Including one-off expenses for integration and rebranding projects (EBITDA and EBIT effect: € -19.2 million); excluding trademark writeups for Strato (EBIT effect: € +19.4 million)
(2) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -16.6 million)

Quarterly development; change over prior-year quarter

in € million	Q1 2019 (IFRS 16)	Q2 2019 (IFRS 16)	Q3 2019 (IFRS 16)	Q4 2019 (IFRS 16)	Q4 2018 (IFRS 15)	Change
Sales	220.2	223.1	222.4	224.9	207.1	+ 8.6%
EBITDA	73.7[1]	74.6[2]	88.5[3]	69.4[4]	56.5[5]	+ 22.8%
EBIT	45.7[1]	49.5[2]	61.6[3]	44.6[4]	33.7[5]	+ 32.3%

(1) Including one-off expenses for integration and rebranding projects (EBITDA and EBIT effect: € -7.0 million)
(2) Including one-off expenses for integration and rebranding projects (EBITDA and EBIT effect: € -6.7 million)
(3) Including one-off expenses for integration and rebranding projects (EBITDA and EBIT effect: € -1.4 million)
(4) Including one-off expenses for integration and rebranding projects (EBITDA and EBIT effect: € -4.1 million); excluding trademark writeups Strato (EBIT effect: € +19.4 million)
(5) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -7.8 million)

Multi-period overview[1]: Development of key sales and earnings figures

in € million	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)
Sales	638.9	762.1	841.8	890.6
EBITDA	202.5	247.3[2]	290.4[3]	306.2[4]
EBITDA margin	31.7%	32.4%	34.5%	34.4%
EBIT	159.2	175.4[2]	202.1[3]	201.4[4]
EBIT margin	24.9%	23.0%	24.0%	22.6%

(1) As the new segmentation was only introduced in the course of preparing the annual financial statements for 2018, the usual 5-year multi-period overview is limited to the financial years 2016-2019
(2) Without extraordinary income from revaluation of ProfitBricks shares (EBITDA and EBIT effect: € +16.1 million), without internally allocated M&A costs (EBITDA and EBIT effect: € -8.7 million) and without trademark writedowns Strato (EBIT effect: € -20.7 million)
(3) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -16.6 million)
(4) Including one-off expenses for integration and rebranding projects (EBITDA and EBIT effect: € -19.2 million); excluding trademark writeups Strato (EBIT effect: € +19.4 million)

Group investments

United Internet AG continued to optimize its investment portfolio in the fiscal year 2019. In the course of these optimization measures, shares in virtual minds and Rocket Internet were sold.

Significant changes in investments

Sale of shares in virtual minds
In the second quarter of 2019, United Internet sold its shares in **virtual minds AG** (share of voting rights as of December 31, 2018: 25.10%) as the company no longer played a role in the strategic investment portfolio. Already prepared in the fiscal year 2018, the sale returned an amount of € 21.5 million.

Sale of shares in Rocket Internet
In the fiscal year 2019, United Internet sold its shares in Rocket Internet SE in several steps (share of voting rights as of December 31, 2018: 9.0%). Specifically, United Internet Investments Holding AG & Co. KG sold 2,500,000 shares at a price of € 25.00 per share in July 2019 and, in the fourth quarter of 2019, accepted the public share buyback offer of Rocket Internet amounting to 15,076,729 shares for the remaining 11,219,841 Rocket Internet shares held against payment of the offer price of € 21.50 per share. Due to the oversubscription of its buyback offer, Rocket Internet was only able to consider the acceptance declaration of United Internet Investments Holding for a total of 8,764,483 shares. The 2,455,358 Rocket Internet shares still held after the completion of the share buyback offer were acquired by Mr. Oliver Samwer at the end of 2019 as agreed at the offer price.

In addition to its (fully consolidated) core operating companies, United Internet also held investments in the following companies as of December 31, 2019.

Minority holdings in listed companies

In February 2016, United Internet announced its investment in **Tele Columbus AG**. As of December 31, 2019, the share of voting rights amounted to 29.90% (prior year: 28.52%). The Company's market capitalization as of December 31, 2019 was around € 357 million in total (prior year: € 370 million).

Minority holdings in partner companies

In July 2013, United Internet acquired a stake in **Open-Xchange AG** (main activity: e-mail and collaboration solutions). United Internet has already been working successfully with the company for many years in its Applications business. As of December 31, 2019, United Internet's share of voting rights amounted to 25.39%. Open-Xchange closed its fiscal year 2019 with a negative result.

In February 2014, United Internet acquired a stake of 25.10% in **ePages GmbH** (main activity: e-shop solutions). In addition to the equity stake, ePages and Group subsidiary 1&1 IONOS SE cooperate in the field of e-shop solutions. As of December 31, 2019, United Internet's share of voting rights amounted to 25.01%. ePages posted a positive result in its fiscal year 2019.

In April 2014, United Internet acquired a stake in **uberall GmbH** (main activity: online listings). In addition, uberall and 1&1 IONOS SE agreed a long-term cooperation contract for the use of uberall solutions. As of December 31, 2019, the share of voting rights held by United Internet amounted to 27.42%. uberall is still in the start-up phase and posted a negative result in its fiscal year 2019.

In April 2017, United Internet acquired a stake in **rankingCoach International GmbH** (main activity: online marketing solutions). In addition to the equity stake, rankingCoach and 1&1 IONOS SE signed a long-term cooperation agreement for 1&1 IONOS SE to use the online marketing solutions of rankingCoach as part of its hosting and cloud products marketed in Europe and North America. As of December 31, 2019, the share of voting rights amounted to 30.70%. rankingCoach is still in the start-up phase and posted a negative result in its fiscal year 2019.

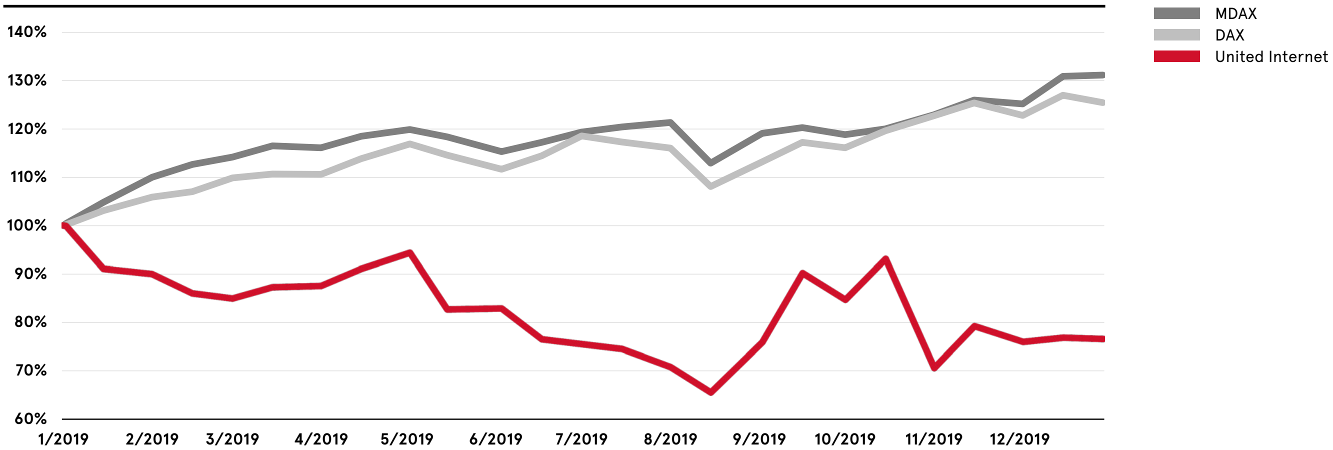
Following the contribution of affilinet GmbH to AWIN in October 2017, United Internet also holds a stake in **AWIN AG** (main activity: affiliate marketing). Several United Internet subsidiaries are currently working together with AWIN and using the company's affiliate network as part of their marketing mix. As of December 31, 2019, United Internet's share of voting rights amounted to 20.00%. AWIN once again closed its fiscal year 2019 with a strongly positive result.

Share and dividend

Share

The United Internet share decreased in value during fiscal year 2019: the share price fell by 23.4% to € 29.28 as of December 31, 2019 (December 31, 2018: € 38.20). The share thus performed much worse than its comparative indices, which rose year on year (DAX + 25.5%; MDAX + 31.2%).

Share performance 2019, indexed



There was a corresponding decline in the **market capitalization** of United Internet AG from around € 7.83 billion in the previous year to around € 6.00 billion as of December 31, 2019.

In fiscal year 2019, average daily trading via the XETRA electronic computer trading system amounted to around 523,000 shares (prior year: 405,000) with an average value of € 16.4 million (prior year: € 19.3 million).

Multi-period overview: share performance (in €; all stock exchange figures are based on Xetra trading)

	2015	2016	2017	2018	2019
Year-end	50.91	37.10	57.34	38.20	29.28
Performance	+ 35.8%	-27.1%	+ 54.6%	-33.4%	-23.4%
Year-high	51.94	49.89	59.17	59.80	40.42
Year-low	36.17	34.42	37.01	34.14	24.21
Average daily turnover	15,279,407	16,301,156	19,666,155	19,261,114	16,415,087
Average daily turnover (units)	354,904	407,372	418,771	404,956	522,809
Shares at year-end (units)	205 million	205 million	205 million	205 million	205 million
Market value at year-end	10.44 billion	7.61 billion	11.75 billion	7.83 billion	6.00 billion
EPS[1]	1.80	0.86	3.06	0.94	2.13
Adjusted EPS[2]	1.73	2.11	2.02	1.96	1.99

(1) EPS from continued operations

(2) EPS from continued operations and without special items: 2015 without effects from sale of Goldbach shares and part of stake in virtual minds (EPS effect: € +0.07); 2016 without negative one-off effect from impairment (EPS effect: € -1.25); 2017 without net positive one-off effects from valuation topics, transaction and restructuring costs, writedowns on brands, writedowns on financial assets / Rocket impairment charges, financing costs and one-off tax effects (EPS effect: € +1.04); 2018 without negative effect from Tele Columbus impairment charges (EPS effect: € -1.02); 2019 without positive effects from reversal of impairments Tele Columbus (EPS effect: € +0.09) and trademark writeups Strato (EPS effect: € +0.05)

Share data

Share type	Registered common stock
Notional share of capital stock	1.00 €
German Securities Identification Number (WKN)	508903
International Securities Identification Number (ISIN)	DE0005089031
Ticker symbol Xetra	UTDI
Reuters ticker symbol	UTDI.DE
Bloomberg ticker symbol	UTDI.GR
Segment	Prime Standard
Index	MDAX, TecDAX
Sector	Software

Shareholder structure

Shareholder	Shareholding
Ralph Dommermuth - Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft (39.27%) - RD Holding GmbH & Co. KG (0.98%)	40.24%
United Internet (treasury stock)	8.46%
Allianz Global Investors	5.52%
Flossbach von Storch	5.01%
BlackRock	3.48%
Free float	37.29%

As of December 31, 2019; figures based on the last respective notification of voting rights

Dividend

United Internet's **dividend policy** aims to pay a dividend to shareholders of approx. 20-40% of adjusted consolidated net income after minority interests (adjusted consolidated net income attributable to the "shareholders of United Internet AG" – according to the consolidated statement of comprehensive income), provided that funds are not needed for further Company development.

On January 24, 2019, the Group subsidiary 1&1 Drillisch AG announced that it intended to apply to the German Federal Network Agency ("Bundesnetzagentur") for admission to take part in the auction on the allocation of mobile frequencies ("5G spectrum auction") and, in the event of a successful acquisition of spectrum at the auction, to establish and operate a 5G mobile network. The applicant was Drillisch Netz AG, a wholly-owned subsidiary of 1&1 Drillisch AG. Following admission by the Bundesnetzagentur on February 25, 2019, the 5G spectrum auction started on March 19, 2019.

Against the background of the 5G spectrum auction still ongoing at the time, and the necessary additional investments in the event of a successful acquisition of spectrum at the auction, the Management Board and Supervisory Board announced on March 27, 2019 that the dividend proposal at the Annual Shareholders' Meeting on May 23, 2019 would take into account the outcome of the ongoing auction on the allocation of mobile frequencies. Accordingly, a dividend of € 0.05 per United Internet share was proposed for the event that United Internet's subsidiary 1&1 Drillisch AG had successfully acquired spectrum at the auction by May 20, 2019.

As of May 20, 2019, the 5G spectrum auction had still not ended and – despite its historically long duration – it was still unclear on expiry of the deadline (May 20, 2019) whether 1&1 Drillisch AG would acquire spectrum at the auction.

As the Company had already announced on May 7, 2019, in this event the Management Board and Supervisory Board resolved and announced on May 20, 2019 to make a dividend proposal of € 0.05 per share at the Annual Shareholders' Meeting. This precautionary measure was taken to ensure that the necessary additional investments could be made if 1&1 Drillisch was able to successfully bid for frequencies before the end of the 5G spectrum auction. The dividend proposal was based on the minimum dividend as prescribed by section 254 (1) of the German Stock Corporation Act (AktG).

At the Company's Annual Shareholders' Meeting on May 23, 2019, the proposal of the Management Board and Supervisory Board to pay a **dividend** of € 0.05 (prior year: € 0.85) per share for the fiscal year 2018 was approved with a majority of 99.8% of votes cast. A total dividend payment of € 10.0 million (prior year: € 170.0 million) was made on May 28, 2019. The payout ratio was thus 2.5% of the adjusted consolidated net income after minority interests for 2018 (€ 392.6 million).

For the fiscal year 2019, the Management Board of United Internet AG will propose to the Supervisory Board a dividend of € 0.50 per share (prior year: € 0.05). The Management Board and Supervisory Board will discuss this **dividend proposal** at the Supervisory Board meeting on March 25, 2020 (and thus after the preparation deadline for this Management Report). The Annual Shareholders' Meeting of United Internet AG 2020 will then vote on whether to adopt the joint proposal of the Management Board and Supervisory Board. In view of the corona crisis, the exact date of the Annual Shareholders' Meeting originally planned for May 20, 2020 is currently still open.

On the basis of around 187.7 million shares with dividend entitlement (as of December 31, 2019), the total dividend payment for fiscal year 2019 would amount to € 93.9 million. The dividend payout ratio would therefore amount to 23.7% of adjusted consolidated net income after minority interests for 2019 (€ 396.4 million) and thus lie – in view of the investments due to be made in the Company's own mobile communications network – within the lower range targeted by its dividend policy. Based on the closing price of the United Internet share on December 31, 2019, the dividend yield would be 1.7%.

Multi-period overview: dividend development

	For 2015	For 2016	For 2017	For 2018	For 2019[1]
Dividend per share (in €)	0.70	0.80	0.85	0.05	0.50
Dividend payment (in € million)	142.9	161.3	169.9	10.0	93.9
Payout ratio	39.0%	90.0%	26.2%	5.3%	22.2%
Adjusted payout ratio[2]	39.0%	37.2%	42.1%	2.5%	23.7%
Dividend yield[3]	1.4%	2.2%	1.5%	0.1%	1.7%

(1) Subject to approval of Supervisory Board and Annual Shareholders' Meeting 2020
(2) Without special items: writedowns on financial assets / Rocket impairment charges (2016); net positive one-off effects from non-cash-effective valuation topics, transaction and restructuring costs, writedowns on brands, writedowns on financial assets / Rocket impairment charges, financing costs, one-off tax effects, and discontinued operations (2017); impairment charges on Tele Columbus shares (2018); reversal of impairment charges on Tele Columbus shares and trademark writeups on Strato (2019)
(3) As of: December 31

Annual Shareholders' Meeting 2019

The Annual Shareholders' Meeting of United Internet AG was held in Frankfurt am Main on May 23, 2019. A total of 81.11% of capital stock (or 83.02% of capital stock less treasury shares) was represented. The shareholders adopted all resolutions on the agenda requiring voting with large majorities.

Capital stock and treasury shares

On August 14, 2019, the Management Board of United Internet AG resolved to launch a **new share buyback program**. The decision was approved by the Supervisory Board. United Internet AG thus utilized 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 had not been previously utilized.

In the course of the new share buyback program, up to six million Company shares (corresponding to approx. 2.93% of capital stock at the time) were to be bought back. The volume of the share buyback program amounted to € 192.0 million in total. The program was launched on August 16, 2019 and is to be completed by March 31, 2020 at the latest by buying shares back via the stock exchange. In the course of this share buyback program, which was prematurely ended with effect from the end of December 9, 2019, a total of 3,919,999 treasury shares were acquired at an average share price of € 29.38 and with a total volume of € 115.2 million.

At the same time as the termination of the aforementioned share buyback program, the Company’s Management Board resolved – with the approval of the Supervisory Board – to make a **public share buyback offer** to the shareholders of United Internet AG for a total of up to 9,000,000 shares at a price per share of € 29.65. Concurrently, Rocket Internet SE irrevocably undertook to accept United Internet AG's public share buyback offer for 8,135,804 shares held by Rocket Internet SE. In the event of an oversubscription of the Company's public share buyback offer, a proportional allocation was to be made to Rocket Internet SE. With its public share buyback offer, United Internet AG once again made use of the authorization granted by the Annual Shareholders' Meeting of May 18, 2017. In the course of the public share buyback offer of United Internet AG, a total of 8,715,524 shares were tendered to the Company by the end of the acceptance period at a price of € 29.65 and with a total volume of € 258.4 million.

As of December 31, 2019, United Internet held 17,338,513 **treasury shares** (December 31, 2018: 4,702,990). This corresponded to approx. 8.46% of capital stock at the time of € 205,000,000 (December 31, 2018: 2.29%).

Investor Relations

In the fiscal year 2019, the Management Board and Investor Relations department of United Internet AG once again provided institutional and private investors with regular and comprehensive information. It was provided to the capital market via the quarterly statements, half-year financial report and annual report, press and analyst conferences, as well as via various webcasts. The Company’s management and Investor Relations department explained the Company’s strategy and financial results in numerous one-on-one discussions at the Company’s offices in Montabaur, as well as at roadshows and conferences in Germany, France, UK, Spain, Switzerland, and the USA. Over 20 national and international investment banks are in contact with the Company’s Investor Relations department and publish regular studies and comments on the Company’s progress and share performance. Apart from such one-on-one meetings, shareholders and potential future investors can also receive the latest news on the Company around the clock via the Company’s website (www.united-internet.de).

Liquidity and finance

The Group's financial strategy is primarily geared to the strategic business plans of its operating business units. In order to provide sufficient flexibility for further growth, United Internet therefore constantly monitors trends in funding opportunities arising on the financial markets. Various options for funding and potential for optimizing existing financial instruments are regularly reviewed. The main focus is on ensuring sufficient liquidity and the financial independence of the Group at all times. In addition to its own financial strength, the Group maintains sufficient liquidity reserves with core banks. The flexible use of these liquidity reserves enables efficient management of Group liquidity, optimal debt management to reduce interest costs, and the avoidance of negative interest on deposits.

As of December 31, 2019, the Group's bank liabilities amounted to € 1,738.4 million (prior year: € 1,939.1 million) and mainly comprise promissory note loans and syndicated loans.

Promissory note loans

At the end of the reporting period on December 31, 2019, total liabilities from promissory note loans with maximum terms until March 2025 amounted to € 835.5 million (prior year: € 835.5 million).

Syndicated loan facilities & syndicated loans

The Company has made use of a contractually agreed prolongation option and extended the term of its revolving syndicated loan facility totaling € 810 million agreed on December 21, 2018, by one year (originally five years) from January 2024 to January 2025.

As of December 31, 2019, € 700 million of the revolving syndicated loan facility had been drawn (prior year: € 700 million). As a result, funds of € 110 million (prior year: € 110 million) were still available to be drawn from the credit facility.

At the end of the reporting period on December 31, 2019, a syndicated loan totaling € 200 million redeemable on maturity with a term ending in August 2021 was also outstanding (prior year: € 200 million). The syndicated loan totaling € 200 million with a term until August 2019 was redeemed on schedule from current cash flow. Together with the above mentioned drawings from the revolving syndicated loan facility, total liabilities from syndicated loan facilities and syndicated loans outstanding as of the reporting period amounted to € 900 million.

In addition, a bilateral credit facility of € 200 million is available to the Company. The facility has been granted until further notice. No drawings had been made from the credit facility as at the end of the reporting period.

As of December 31, 2019, United Internet therefore had free credit lines totaling € 310 million.

The funding arranged by 1&1 Drillisch AG to participate in the 5G spectrum auction was returned in full due to an agreement made with the German government in September 2019 to pay for the acquired frequencies in installments.

Further disclosures on the various financial instruments, drawings, interest rates, and maturities are provided under point 31 of the Notes to the Consolidated Financial Statements.

2.3 Position of the Group

Earnings position

In the fiscal year 2019, the total number of **fee-based customer contracts in the United Internet Group** was raised by 890,000 to 24.74 million contracts. Ad-financed free accounts rose by 590,000 to 37.59 million.

Consolidated sales grew by 1.8% in the fiscal year 2019, from € 5,102.9 million in the previous year to € 5,194.1 million. In the course of its ongoing integration measures in the Consumer Access segment, United Internet adjusted the disclosed sales figures of a Group subsidiary of 1&1 Drillisch acquired in 2017, which previously recognized revenue-reducing effects as cost of sales, and brought it in line with standard Group disclosure methods in the fourth quarter of 2019. To aid comparability, revenue and cost of sales figures for the fiscal year 2018 were also adjusted. As a result, disclosed revenue and cost of sales figures for the previous year in the Consumer Access segment and at Group level were both reduced by € 27.9 million. This merely resulted in a reclassification between these two items in the statement of comprehensive income. The adjustment has no effect on the key earnings figures (EBITDA and EBIT) of the segment or the Group.

This at first glance only moderate growth was due in particular to fluctuations during the year in (low-margin) hardware sales (€ -41.9 million compared to the previous year) in the Consumer Access segment. Sales were also influenced by the ad space reduction initiated in April 2018 as part of a repositioning of the Consumer Applications segment (€ -25.4 million; prior year: € -17.0 million). **Sales outside Germany** improved by 8.0% from € 401.0 million to € 433.0 million.

Due to additional costs for wholesale purchases, the **cost of sales** rose from € 3,350.1 million (65.7% of sales) in the previous year to € 3,427.0 million (66.0% of sales). There was a corresponding decrease in the **gross margin** from 34.3% to 34.0%. This resulted in a 0.8% increase in **gross profit** from € 1,752.8 million to € 1,767.1 million.

Largely as a result of increased marketing expenses in connection with rebranding in the Business Applications segment, there was a disproportionate rise in **sales and marketing expenses** from € 678.2 million (13.3% of sales) in the previous year to € 741.8 million (14.3% of sales). By contrast, **administrative expenses** fell from € 218.9 million in the previous year (4.3% of sales) to € 205.9 million (4.0% of sales).

Multi-period overview: Development of key cost items

in € million	2015 (IAS 18)	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)
Cost of sales	2,437.2	2,461.8	2,691.1	3,350.1	3,427.0
Cost of sales ratio	65.6%	64.6%	64.0%	65.7%	66.0%
Gross margin	34.4%	35.4%	36.0%	34.3%	34.0%
Selling expenses	557.2	521.2	638.3	678.2	741.8
Selling expenses ratio	15.0%	13.7%	15.2%	13.3%	14.3%
Administrative expenses	182.2	182.9	185.1	218.9	205.9
Administrative expenses ratio	4.9%	4.8%	4.4%	4.3%	4.0%

Other operating expenses fell from € 24.0 million to € 17.0 million, while **other operating income** rose from € 77.9 million to € 102.9 million. **Impairment losses on receivables and contract assets** amounted to € 94.2 million (prior year: € 98.5 million).

Consolidated EBITDA was positively influenced by the initial application of IFRS 16 (€ +87.0 million) in the fiscal year 2019. In addition to the one-off expenses already announced (€ -3.2 million; prior year: € -25.1 million), the regulatory decisions to reduce retail tariffs for calls and text messages to other EU countries as of May 15, 2019 (€-5.6 million) and to increase subscriber line charges as of July 1, 2019 (€ -8.8 million), as well as initial costs in connection with the planning and preparation of the 5G mobile communications network (€ -5.7 million), there were opposing effects in the Consumer Access segment in particular from additional costs (€ -83.1 million) for wholesale purchases after the time-limited adjustment mechanism of a wholesale agreement expired at the end of 2018. Contrary to original expectations, the expired arrangement could not be compensated for by a price reduction during the reporting period. However, the corresponding wholesale prices are the subject of several arbitration proceedings initiated by 1&1 Drillisch which it expects to result in binding decisions on the requested permanent price adjustments. On October 24, 2019, 1&1 Drillisch received the draft arbitration report on the first price adjustment proceedings (Price Review 1), initiated with effect from September 2017, which rejected 1&1 Drillisch's application for the retroactive reduction of wholesale prices as of this date. The consequence of the draft arbitration report was that the financial figures for 2017 and – at least for the time being – the 2018 and 2019 results of 1&1 Drillisch would not be improved by price reductions. Moreover, the aforementioned price increase remained valid – at least for the time being – due to the expiry of the time-limited contractual adjustment mechanism at the end of 2018. In the final expert opinion received on December 19, 2019, the decision announced in the draft version was confirmed.

Apart from these additional costs, future investments (implemented as planned), such as the repositioning of the Consumer Applications segment (€ -24.3 million; prior year: € -15.9 million) and increased marketing expenses in the Business Applications segment (€ -26.7 million), had an initial negative effect on earnings. Increased marketing expenses included a one-off amount of € -19.2 million for rebranding measures (prior year: one-offs of € -16.6 million for integration projects). All in all, EBITDA rose by 5.4% in fiscal year 2019, from € 1,201.3 million to € 1,265.7 million (according to IFRS 16). Like-for-like growth according to IFRS 15 amounted to -1.9%.

Key earnings figures "below EBITDA" were influenced by various **special items** in the fiscal years 2018 and 2019.

- The special item **"Impairment charges Tele Columbus 2018"** results from the impairment of shares in Tele Columbus AG held by United Internet and disclosed in the result from associated companies. In the fiscal year 2018, it had a negative effect on EBT, net income and EPS.

- The special item **"Impairment reversals Tele Columbus 2019"** results from the impairment reversal of shares in Tele Columbus AG held by United Internet and disclosed in the result from associated companies. In the fiscal year 2019, it had a positive effect on EBT, net income and EPS.

- The special item "**Trademark writeups Strato 2019"** results from trademark writeups on the Strato brand and had a positive effect on EBIT, EBT, net income and EPS in the fiscal year 2019.

Reconciliation of EBIT, EBT, net income and EPS with figures adjusted for special items

in € million; EPS in €	Fiscal year 2019	Fiscal year 2018
EBIT	**811.1**	**811.0**
Trademark writeups Strato 2019	- 19.4	
EBIT before special items (operating)	**791.7**	**811.0**
EBT	**779.7**	**561.9**
Trademark writeups Strato 2019	- 19.4	
Impairment reversals Tele Columbus 2019	- 18.5	
Impairment charges Tele Columbus 2018		+ 203.8
EBT before special items (operating)	**741.8**	**765.7**
Net income	**539.0**	**312.1**
Trademark writeups Strato 2019	- 13.5	
Impairment reversals Tele Columbus 2019	- 18.5	
Impairment charges Tele Columbus 2018		+ 203.8
Net income before special items (operating)	**507.0**	**515.9**
Net income "Shareholders United Internet"	**423.9**	**188.8**
Trademark writeups Strato 2019	-9.0	
Impairment reversals Tele Columbus 2019	-18.5	
Impairment charges Tele Columbus 2018		+ 203.8
Net income "Shareholders United Internet" before special items (operating)	**396.4**	**392.6**
EPS	**2.13**	**0.94**
Trademark writeups Strato 2019	- 0.05	
Impairment reversals Tele Columbus 2019	- 0.09	
Impairment charges Tele Columbus 2018		+ 1.02
EPS before special items (operating)	**1.99**	**1.96**

Without consideration of the above mentioned opposing special items, the key performance measures EBIT, EBT, net income and EPS for the fiscal year 2019 developed as follows:

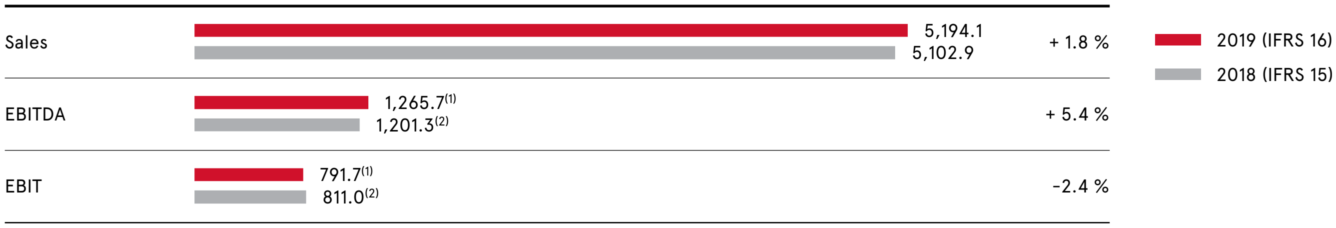
Due to the above mentioned burdens on earnings and one-offs, **consolidated operating EBIT** of € 791.7 million was down on the previous year (€ 811.0 million) and virtually unaffected by IFRS 16 accounting.

The same applies to **operating earnings before taxes (EBT)** and **operating net income**, which were also below the like-for-like figures of the previous year at € 741.8 million (prior year: € 765.7 million) and € 507.0 million (prior year: € 515.9 million), respectively.

By contrast, **operating net income attributable to shareholders of United Internet AG** improved from € 392.6 million to € 396.4 million.

There was a corresponding increase in **operating EPS** from € 1.96 to € 1.99.

Key sales and earnings figures of the Group (in € million)



(1) Including one-off expenses for integration and rebranding projects (EBITDA and EBIT effect: € -22.4 million); excluding trademark writeups for Strato (EBIT effect: € +19.4 million)
(2) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -41.7 million)

Quarterly development; change on prior-year quarter

in € million	Q1 2019 (IFRS 16)	Q2 2019 (IFRS 16)	Q3 2019 (IFRS 16)	Q4 2019 (IFRS 16)	Q4 2018 (IFRS 15)	Change
Sales	1,276.5	1,280.0	1,298.5	1,339.1	1,302.5	+ 2.8%
EBITDA	299.7[1]	330.3[2]	314.0[3]	321.7[4]	326.7[5]	- 1.5%
EBIT	181.1[1]	209.7[2]	196.8[3]	204.1[4]	228.2[5]	- 10.6%

(1) Including one-off expenses for integration and rebranding projects (EBITDA and EBIT effect: € -9.1 million)
(2) Including one-off expenses for integration and rebranding projects (EBITDA and EBIT effect: € -6.9 million)
(3) Including one-off expenses for integration and rebranding projects (EBITDA and EBIT effect: € -2.9 million)
(4) Including one-off expenses for integration and rebranding projects (EBITDA and EBIT effect: € -3.5 million); excluding trademark writeups Strato (EBIT effect: € +19.4 million)
(5) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -20.5 million)

Multi-period overview: development of key sales and earnings figures

in € million	2015 (IAS 18)	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)
Sales	3,715.7	3,808.1	4,206.3	5,102.9	5,194.1
EBITDA	757.2[1]	835.4	979.6[2]	1,201.3[3]	1,265.7[4]
EBITDA margin	20.4%	21.9%	23.3%	23.5%	24.4%
EBIT	541.7[1]	642.7	704.0[2]	811.0[3]	791.7[4]
EBIT margin	14.6%	16.9%	16.7%	15.9%	15.2%

(1) Without one-off income from sale of Goldbach shares and part of stake in virtual minds (EBITDA and EBIT effect: € +14.0 million)
(2) Without extraordinary income from revaluation of Drillisch shares (EBITDA and EBIT effect: € +303.0 million) and revaluation of ProfitBricks shares (EBITDA and EBIT effect: € +16.1 million), as well as without M&A transaction costs (EBITDA and EBIT effect: € -17.1 million), without restructuring charges in offline sales (EBITDA and EBIT effect: € -28.3 million) and without trademark writedowns Strato (EBIT effect: € -20.7 million)
(3) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -41.7 million)
(4) Including one-off expenses for integration and rebranding projects (EBITDA and EBIT effect: € -22.4 million); excluding trademark writeups Strato (EBIT effect: € +19.4 million)

Group's financial position

Thanks to the positive trend in earnings, **operative cash flow** rose from € 889.5 million in the previous year to € 935.0 million in the fiscal year 2019.

Cash flow from operating activities in the fiscal year 2019 rose strongly from € 482.3 million in the previous year to € 828.9 million. This increase was mainly due to high prepayments to pre-service providers and a simultaneously strong increase in inventories in the previous year.

Cash flow from investing activities amounted to € 87.2 million in the reporting period (prior year: € -350.9 million). This resulted mainly from disbursements of € 252.8 million for capital expenditures (prior year: € 271.8 million). There was an opposing effect in particular from the sale of associated companies (mainly from concluding the sale of virtual minds shares already prepared in 2018) amounting to € 35.6 million (of which gain on disposal: € 21.5 million) as well as from the sale of financial assets (mainly Rocket Internet shares) totaling € 303.7 million. In addition to the aforementioned capital expenditures, cash flow from investing activities in the previous year was also shaped by the purchase of shares in affiliated companies (World4You), as well as a subsequent cash outflow from the sale of yourfone Shop GmbH.

United Internet's free cash flow is defined as cash flow from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant, and equipment. As a result of the strong increase in cash flow from operating activities and lower capital expenditures, **free cash flow** rose from € 254.6 million (without consideration of a tax payment of € 34.7 million from fiscal year 2016) to € 607.0 million (without consideration of tax payments from fiscal year 2017 and previous years of € 22.1 million). With the initial application of the accounting standard IFRS 16, the redemption share of lease liabilities is disclosed in cash flow from financing activities as of fiscal year 2019. After deducting the cash flow item "Redemption of finance lease liabilities and rights of use" (€ -111.0 million), free cash flow amounted to € 496.0 million.

Cash flow from financing activities in the fiscal year 2019 was dominated by the purchase of treasury shares totaling € 373.6 million (prior year: € 0), net loan repayments totaling € 200.8 million (prior year: € 22.9 million), the redemption of frequency liabilities totaling € 61.3 million (prior year: € 0), the redemption of lease liabilities totaling € 111.0 million (prior year: € 25.9 million), which increased strongly as a result of IFRS 16 accounting, the dividend payment of United Internet AG totaling € 10.0 million (prior year: € 170 million), dividend payments to minority shareholders (especially the dividend of 1&1 Drillisch AG) totaling € 2.6 million (prior year: € 75.4 million), and payments to minority shareholders(especially in connection with the increased stake in 1&1 Drillisch) totaling € 98.4 million (prior year: € 15.4 million).

Cash and cash equivalents amounted to € 117.6 million as of December 31, 2019, compared to € 58.1 million on the same date in the previous year.

Multi-period overview: Development of key cash flow figures

in € million	2015 (IAS 18)	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)
Operative cash flow	554.5	644.2	656.4	889.5	935.0
Cash flow from operating activities	533.2 (2)	587.0 (3)	655.7 (4)	482.3	828.9
Cash flow from investing activities	-766.0	-422.7	-897.7	-350.9	87.2
Free cash flow (1)	300.5 (2)	423.0 (3)	424.4 (4)	254.6 (5)	496.0 (6)
Cash flow from financing activities	23.1	-43.2	312.2	-312.6	-857.6
Cash and cash equivalents on December 31	84.3	101.7	238.5	58.1	117.6

(1) Free cash flow is defined as cash flow from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment
(2) 2015 without consideration of a capital gains tax refund (net: € 242.7 million) and including an income tax payment originally planned for the fourth quarter of 2015 (around € 100.0 million)
(3) 2016 without consideration of the aforementioned income tax payment (€ 100.0 million)
(4) 2017 without consideration of a capital gains tax refund originally planned for the fourth quarter of 2016 (€ 70.3 million)
(5) 2018 without consideration of a tax payment from fiscal year 2016 (€ 34.7 million)
(6) 2019 without consideration of tax payments from fiscal year 2017 and previous years (€ -22.1 million); incl. the repayment portion of lease liabilities (€ 111.0 million), which have been reported under cash flow from financing activities since the financial year 2019 (IFRS 16)

Group's asset position

In the fiscal year 2018, United Internet carried out a detailed **impact assessment on accounting pursuant to IFRS 16**. In summary, the effects as of January 1, 2019 from the initial application of IFRS 16 with respect to lessee contracts previously accounted for as operating leases are as follows: the Group's balance sheet total increased by approximately € 275 million as of January 1, 2019. The capitalization of right-of-use assets amounting to approximately € 275 million is opposed by the recognition of lease liabilities in almost the same amount, which were offset against deferred prepayments for leases.

The **balance sheet total** rose in total from € 8.174 billion as of December 31, 2018 to € 9.086 billion on December 31, 2019. This increase is mainly due to the initial **recognition of the acquired 5G spectrum**, resulting in intangible assets of € 1,070.2 million and other financial liabilities of € 1,008.9 million as of December 31, 2019. Under IFRS regulations, intangible assets resulting from the acquisition are to be carried at cost and other financial liabilities at fair value.

Current assets increased slightly from € 1,364.7 million as of December 31, 2018 to € 1,371.2 million on December 31, 2019. **Cash and cash equivalents** disclosed under current assets increased from € 58.1 million to € 117.6 million due to closing-date effects. **Trade accounts receivable** fell from € 351.4 million to € 346.0 million. The item **contract assets** rose from € 427.0 million to € 507.8 million and includes current claims against customers due to accelerated revenue recognition from the application of IFRS 15. **Inventories** decreased from € 89.6 million to € 79.3 million. **Current prepaid expenses** rose from € 224.8 million to € 237.0 million and mainly comprise the short-term portion of expenses relating to contract acquisition and contract fulfillment according to IFRS 15. **Other financial assets** decreased from € 72.8 million to € 48.1 million and **income tax claims** from € 129.6 million to € 21.5 million.

Non-current assets increased strongly from € 6,809.2 million as of December 31, 2018 to € 7,715.2 million on December 31, 2019. Due to the earnings contribution of investments, **shares in associated companies** decreased from € 206.9 million to € 196.0 million. As a result of the sale of previously held shares in Rocket Internet SE, **other financial assets** fell from € 348.0 million to € 90.4 million. Largely as a result of the initial application of IFRS 16, **property, plant, and equipment** increased from € 818.0 million to € 1,118.2 million. **Intangible assets** rose strongly from € 1,244.6 million to € 2,167.4 million due to the above mentioned initial recognition of the acquired 5G spectrum. **Goodwill** remained almost unchanged at € 3,616.5 million. The item **contract assets** was also virtually unchanged at € 174.3 million and includes non-current claims against customers due to accelerated revenue recognition from the application of IFRS 15. **Prepaid expenses** decreased from € 341.2 million to € 284.3 million and mainly include the long-term portion of expenses relating to contract acquisition and contract fulfillment, as well as prepayments in connection with long-term purchasing agreements. **Deferred tax assets** of € 10.4 million were largely unchanged.

Current liabilities fell from € 1,299.7 million as of December 31, 2018 to € 1,269.0 million on December 31, 2019. Due to closing-date effects, current **trade accounts payable** decreased from € 557.7 million to € 475.5 million. Short-term **bank liabilities** rose from € 206.2 million to € 243.7 million as a result of reclassifying non-current to current liabilities in accordance with the maturity profile of liabilities. **Income tax liabilities** decreased from € 187.9 million to € 91.7 million. The item current **contract liabilities** was largely unchanged at € 149.9 million and mainly includes payments received from customer contracts for which the performance has not yet been completely rendered. The increase in current **other financial liabilities** from € 124.1 million to € 239.4 million results mainly from the initial application of IFRS 16.

Non-current liabilities increased strongly from € 2,352.6 million as of December 31, 2018 to € 3,202.6 million on December 31, 2019. Long-term **bank liabilities** fell significantly from € 1,733.0 million to € 1,494.6 million. **Deferred tax liabilities** decreased from € 389.8 million to € 351.8 million. The item non-current **contract liabilities** was virtually unchanged at € 34.9 million and mainly includes payments received from customer contracts for which the performance has not yet been completely rendered. The increase in non-current **other financial liabilities** from € 87.0 million to € 1,247.5 million resulted mainly from the above mentioned acquisition of 5G spectrum as well as from their initial recognition according to IFRS 16.

The Group's **equity capital** rose from € 4,521.5 million as of December 31, 2018 to € 4,614.7 million on December 31, 2019. Due to the even stronger increase in the balance sheet total, however, the **equity ratio** declined from 55.3% to 50.8%.

On August 14, 2019, the Management Board of United Internet AG resolved to launch a **new share buyback program**. The decision was approved by the Supervisory Board. United Internet AG thus utilized 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 had not been previously utilized. In the course of the new share buyback program, up to six million Company shares (corresponding to approx. 2.93% of capital stock at the time) were to be bought back. The volume of the share buyback program amounted to € 192.0 million in total. The program was launched on August 16, 2019 and is to be completed by March 31, 2020 at the latest by buying shares back via the stock exchange. In the course of this share buyback program, which was prematurely ended with effect from the end of December 9, 2019, a total of 3,919,999 shares were acquired at an average share price of € 29.38 and with a total volume of € 115.2 million.

At the same time as the termination of the aforementioned share buyback program, the Company's Management Board resolved – with the approval of the Supervisory Board – to make a **public share buyback offer** to the shareholders of United Internet AG for a total of up to 9,000,000 shares at a price per share of € 29.65. Concurrently, Rocket Internet SE irrevocably undertook to accept United Internet AG's public share buyback offer for 8,135,804 shares held by Rocket Internet SE. In the event of an oversubscription of the Company's public share buyback offer, a proportional allocation was to be made to Rocket Internet SE. With its public share buyback offer, United Internet AG once again made use of the authorization granted by the Annual Shareholders' Meeting of May 18, 2017. In the course of the public share buyback offer of United Internet AG, a total of 8,715,524 shares were tendered to the Company by the end of the acceptance period at a price of € 29.65 and with a total volume of € 258.4 million.

As of December 31, 2019, United Internet held 17,338,513 **treasury shares** (December 31, 2018: 4,702,990). This corresponded to approx. 8.46% of capital stock at the time of € 205,000,000 (December 31, 2018: 2.29%).

On September 5, 2019, the United Internet subsidiary 1&1 Drillisch signed an agreement with the German Federal Ministry of Transport and Digital Infrastructure (BMVI) and the German Federal Ministry of Finance (BMF) regarding the construction of mobile communication sites in so-called "not-spots". 1&1 Drillisch is thus helping to close existing supply gaps and improve the provision of mobile communications in rural regions by building hundreds of base stations. In return, 1&1 Drillisch benefits from an agreement that allows it to **pay for the acquired 5G spectrum in installments**. As a result, the license fees which were originally to be paid to the German government in 2019 and 2024 can now be spread over the period up to 2030. The credit line of originally € 2.8 billion arranged to finance the highest bids of the spectrum auction, among other things, was thus no longer required and has been "returned". The agreement with the ministries is in line with 1&1 Drillisch's long-term financing strategy, which is geared toward paying the major share of expenses for the construction of its own mobile communications network from current revenue.

The Group's **net bank liabilities** (i.e., the balance of bank liabilities and cash and cash equivalents) fell strongly from € 1,881.1 million as of December 31, 2018 to € 1,620.8 million on December 31, 2019.

Multi-period overview: development of relative indebtedness

	2015 (IAS 18)	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)
Net bank liabilities(1) / EBITDA	1.88	1.98	1.37	1.57	1.28
Net bank liabilities(1) / free cash flow(2)	3.63	3.88	4.04	7.39	3.27

(1) Net bank liabilities = balance of bank liabilities and cash and cash equivalents
(2) Free cash flow without consideration of a capital gains tax refund (net) of € 242.7 million (2015), an income tax payment originally due in the fourth quarter of 2015 of around € 100.0 million (2016), a capital gains tax refund originally planned for the fourth quarter of 2016 of € 70.3 million (2017), a tax payment from fiscal year 2016 of € 34.7 million (2018) and tax payments from fiscal year 2017 and previous years of € -22.1 million (2019); Free cash flow 2019 incl. the repayment portion of lease liabilities of € 111.0 million, which have been reported under cash flow from financing activities since the financial year 2019 (IFRS 16)

Further details on the objectives and methods of the Group's financial risk management are provided under point 43 of the Notes to the Consolidated Financial Statements.

Multi-period overview: development of key balance sheet items

in € million	2015 (IAS 18)	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)
Total assets	3,885.4	4,073.7	7,605.2	8,173.8	9,088.3
Cash and cash equivalents	84.3	101.7	238.5	58.1	117.6
Shares in associated companies	468.4	755.5(1)	418.0(1)	206.9(1)	196.0
Other financial assets	449.0	287.7(2)	333.7(2)	348.1(2)	90.4(2)
Property, plant and equipment	665.2	655.0	747.4(3)	818.0	1,118.2(3)
Intangible assets	389.5	369.5	1,408.4(3)	1,244.6	2,167.4(4)
Goodwill	1,100.1	1,087.7	3,564.1(5)	3,612.6(5)	3,616.5
Liabilities due to banks	1,536.5	1,760.7(6)	1,955.8(6)	1,939.1	1,738.4
Capital stock	205.0	205.0	205.0	205.0	205.0
Equity	1,149.8	1,197.8	4,048.7(7)	4,521.5(7)	4,614.7
Equity ratio	29.6%	29.4%	53.2%	55.3%	50.8%

(1) Increase due to investment in Tele Columbus (2016); decrease due to takeover and consolidation of ProfitBricks and Drillisch (2017); decrease due to Tele Columbus impairment charges (2018)
(2) Decrease due to subsequent valuation of shares in listed companies (2016); increase due to subsequent valuation of shares in listed companies (2017); increase due to subsequent valuation of shares in listed companies (2018); decrease due to sale of Rocket Internet shares (2019)
(3) Increase due to Strato, ProfitBricks and Drillisch takeovers (2017); increase due to initial application of IFRS 16 (2019)
(4) Increase due to initial recognition of acquired 5G frequencies (2019)
(5) Increase due to Strato, ProfitBricks and Drillisch takeovers (2017); increase due to World4You takeover (2018)
(6) Increase due to Tele Columbus investment (2016); increase due to Strato takeover and increased stakes in Drillisch and Tele Columbus (2017)
(7) Increase due to consolidation effects in connection with the investment of Warburg Pincus in the Business Applications segment and takeover of Strato (2017); transitional effects from initial application of IFRS 15 (2018)

Management Board's overall assessment of the Group's business situation

Economic growth in the main target countries of the United Internet Group during the reporting period was slower than in the previous year and also below expectations. GDP in Germany – United Internet's most important market – grew by just 0.6%, compared to 1.5% in the previous year. With sales growth of 2.0%, the German ICT market also fell short of its prior-year growth rate of 2.2%.

With organic growth of 890,000 customer contracts to 24.74 million, a 1.8% increase in sales to € 5.194 billion and an improvement in EBITDA of 5.4% to € 1.266 billion, United Internet enjoyed further growth in fiscal year 2019 – despite some unexpected burdens on sales and earnings – and was ultimately also able to meet the targets it set itself.

This positive performance – especially when compared with the weakening macroeconomic and sector trends – highlights the benefits of United Internet's business model based predominantly on electronic subscriptions with fixed monthly payments and contractually fixed terms. This ensures stable and predictable revenues and cash flows, offers protection against cyclical influences and provides the financial scope to win new customers, expand existing customer relationships, and grasp opportunities in new business fields and new markets – organically or via investments and acquisitions.

In the fiscal year 2019, the Company once again invested heavily in gaining and expanding customer relationships, as well as in developing new products – thus laying the basis for future growth. In addition to strengthening the foundations for its operational business, United Internet also successfully participated – via 1&1 Drillisch – in the 5G spectrum auction ending on June 12, 2019 and purchased two frequency blocks of 2 x 5 MHz in the 2 GHz band and five frequency blocks of 10 MHz in the 3.6 GHz band. By acquiring these frequencies, the foundation was laid for a successful and permanent positioning of the 1&1 Drillisch Group as Germany's fourth mobile network provider. The Company intends to use this basis to establish a powerful mobile communications network.

The financial position of United Internet AG remained strong in fiscal year 2019. Free cash flow adjusted for tax effects remained high at € 607.0 million, or € 496.0 million after leasing (like-for-like prior-year figure: € 254.6 million). This once again underlines the Group's ability to generate very healthy levels of cash while at the same time achieving stable and qualitative growth. Against this backdrop, the Company plans to finance the development of its own mobile communications network largely from current revenue.

As of the reporting date for the Annual Financial Statements 2019, and at the time of preparing this Management Report, the Management Board believes that the United Internet Group as a whole is well placed for its further development. It regards the financial position and performance – subject to possible special items – as positive and is optimistic about the Group's future prospects.

2.4 Position of the Company

Earnings of United Internet AG

As a pure holding company, the earnings position of United Internet AG is usually dominated by its investment and financial result.

In the fiscal year 2019, **sales** of the parent company amounted to € 0.3 million (prior year: € 0.01 million) and result mainly from services rendered to the Group's subsidiaries.

Other operating income amounted to € 1.0 million (prior year: € 147.6 million) and mainly results from the reversal of accruals totaling € 0.6 million, as well as cost allocations within the Group of € 0.2 million. In the previous year, other operating income was dominated by extraordinary income in connection with the disposal of financial assets totaling € 143.8 million (scheduled exercise of a put option from 2017 for the preferred share of the former 1&1 Internet Holding SE (now: 1&1 IONOS Holding SE)), as well as from other operating income of € 2.3 million in connection with cost allocations within the Group, and income of € 1.6 million relating to other periods from the reversal of accruals.

Adjusted for effects from employee stock ownership programs, **personnel expenses** amounted to € 0.5 million (prior year: € 0.6 million).

Other operating expenses decreased to € 12.7 million (prior year: € 36.9 million) and mostly comprise internal Group charges of € 6.5 million (prior year: € 28.7 million), as well as legal, auditing and consulting fees of € 2.2 million (prior year: € 3.8 million).

Income from profit transfer agreements of € 122.3 million (prior year: € 117.7 million) result from the profit transfers of 1&1 Mail & Media Applications SE amounting to € 70.5 million (prior year: € 93.6 million), United Internet Investments Holding AG & Co. KG amounting to € 48.9 million, United Internet Corporate Services GmbH amounting to € 2.7 million (prior year: € 24.1 million), and United Internet Service SE amounting to € 0.2 million.

Income from investments amounted to € 6.5 million (prior year: € 209.6 million) and mainly comprise the dividend of 1&1 Drillisch AG (prior year: € 189.7 million). Income from investments in the previous year not only included the dividend of 1&1 Drillisch AG but also the dividend of the former 1&1 Internet TopCo SE (now: 1&1 IONOS TopCo SE) amounting to € 19.9 million.

Expenses for loss assumptions of € 37.4 million (prior year: € 263.6 million) mainly related to the compensation expense of United Internet Service Holding GmbH amounting to € 37.2 million (prior year: € 41.3 million). In the previous year, expenses for loss assumptions also included a compensation expense € 222.2 million for United Internet Investments Holding AG & Co. KG.

The parent company's **result before taxes** amounted to € 177.6 million (prior year: € 273.3 million).

Income taxes of € 58.9 million (prior year: € 68.4 million) comprise current taxes of 2019 of € 53.5 million (of which € 26.8 million corporation tax and the solidarity surcharge, and € 26.6 million trade tax), as well as € 6.8 million from previous years. Income from the reversal of deferred tax liabilities amounting to € 1.4 million had an opposing effect.

Net income in the separate financial statements of United Internet AG for the fiscal year 2019 amounted to € 118.7 million (prior year: € 204.9 million).

Assets and financial position of United Internet AG

The parent company's **balance sheet total** fell from € 6,233.8 million as of December 31, 2018 to € 5,944.6 million on December 31, 2019.

Non-current assets of the parent company amounting to € 5,670.9 million (prior year: € 5,981.3 million) were dominated by **financial assets**. **Shares in affiliated companies** increased to € 3,763.4 million (prior year: € 3,668.8 million). This was mainly due to the increased stake in 1&1 Drillisch AG. **Loans to affiliated companies** declined to € 1,907.6 million (prior year: € 2,312.5 million). The decrease results in particular from the redemption of loans within the Group.

Current assets of the parent company amounting to € 273.6 million (prior year: € 252.3 million) comprise receivables due from affiliated companies and other assets. The **receivables due from affiliated companies** rose to € 216.2 million (prior year: € 207.1 million). These mainly comprise receivables within the United Internet Group's internal cash management system. **Other assets** amounting to € 14.8 million (prior year: € 40.7 million) consist mainly of receivables due from the tax office.

Shareholders' equity of the parent company amounted to € 3,352.5 million as of December 31, 2019 (prior year: € 3,617.3 million). The decrease in equity during the reporting period is mainly due to the buyback of treasury shares (€ 373.6 million), which are subtracted from equity, and the dividend payout (€ 10 million), as well as an opposing effect from net income (€ 118.7 million). The equity ratio fell from 58.0% in the previous year to 56.4% as of December 31, 2019.

The parent company's **accruals** of € 54.7 million (prior year: € 80.8 million) mainly comprise **accrued taxes** amounting to € 51.8 million (prior year: € 76.9 million) as well as **other accrued liabilities** for employee stock ownership plans, legal, auditing and consulting fees, bonuses and other items totaling € 2.9 million (prior year: € 3.9 million).

The **liabilities** of the parent company are shaped in particular by liabilities to banks and liabilities due to affiliated companies. **Liabilities to banks** decreased to € 1,740.7 million in the fiscal year 2019 (prior year: € 1,943.8 million). Bank liabilities mainly comprise two promissory note loans totaling € 835.5 million, as well as syndicated loans totaling € 900.0 million. **Liabilities to affiliated companies** rose to € 783.9 million (prior year: € 575.0 million) and mainly comprise liabilities from balances within the United Internet Group's cash pooling system (€ 737.3 million), from service arrangements (€ 7.9 million), and from profit transfer agreements (€ 37.4 million). **Other liabilities** of € 3.6 million (prior year: € 5.4 million) are mainly sales tax liabilities.

Cash flow of the parent company's financial statements is dominated by cash flows from the profit transfer agreements, as well as the dividends of investments. There was an opposing effect under financial activities from the treasury shares purchased in the fiscal year 2019 and from the dividend payment.

Management Board's overall assessment of the current business situation of the parent company

Due to its role as the Group's holding company, the economic position of United Internet AG at parent company level is mainly influenced by its investment and financial result. The above statements on the Group's economic position therefore also apply qualitatively for United Internet AG itself.

2.5 Significant non-financial performance indicators

United Internet AG believes that its entrepreneurial activities are not solely restricted to the pursuit and implementation of economic objectives, but also involve a commitment and responsibility to society and the environment. United Internet assumes this responsibility in a variety of ways. The most important aspects with regard to the Management Report, sustainable business policy, employees, green IT, and social responsibility, are summarized in the following sections.

Further information on these and other sustainability topics are included in the Non-Financial Statement 2019 (Sustainability Report) of United Internet AG – based on the Global Reporting Initiative (GRI) framework – which will be published at the beginning of April, 2020 at https://www.united-internet.de/investor-relations/publikationen/berichte.html.

Sustainable business policy

United Internet AG is committed to pursuing a sustainable business policy. This sustainability is illustrated in particular by its high level of investment in customer relationships, in customer satisfaction, in service, product and network quality, in security and data privacy, and in customer trust/recommendation behavior – and thus also in sustainable growth.

Customer relationships and customer satisfaction

In its fiscal year 2019, United Internet once again invested heavily in customer growth and raised the number of fee-based customer contracts organically by 890,000 to 24.74 million (prior year: 23.85 million).

Apart from these customer contracts in the reported product lines, United Internet holds a further 0.37 (prior year: 0.41) million contracts without basic monthly fees and service provider contracts (volume-based tariffs/MSP tariffs), as well as 0.03 (prior year: 0.06) million broadband connections in the phased-out T-DSL/R-DSL product lines.

In addition to these fee-based contracts, United Internet operates 37.59 (prior year: 37.00) million active free accounts at its data centers that are refinanced via advertising revenue.

In total, therefore, United Internet operates 62.73 (prior year: 61.32) million customer accounts globally.

Over the past few years, the high-value contracts with basic fee of the reported product lines have been greatly expanded, while the less valuable contracts with no monthly fee, and the old contracts with T-DSL and R-DSL, have been reduced (exception: 2017 due to 0.49 million contracts without basic monthly fee/old contracts resulting from the Drillisch takeover). The number of customer relationships via ad-financed free accounts – which also offer United Internet potential for up- and cross-selling – were steadily improved over the past years.

Multi-period overview: development of customer relationships

Growth in million	2015[1]	2016	2017[2]	2018[3]	2019
Contracts with basic fees	+ 1.25	+ 1.06	+ 6.10	+ 1.28	+ 0.89
Contracts without basic fees / old contracts	- 0.06	- 0.06	+ 0.40	- 0.11	- 0.07
Free accounts	+ 1.03	+ 1.14	+ 1.13	+ 1.33	+ 0.59
Total customer accounts	+ 2.22	+ 2.14	+ 7.63	+ 2.50	+ 1.41

(1) Including 0.34 million contracts with basic fees from the takeover of home.pl and an opposing 0.08 million from contract streamlining
(2) Including 3.35 million contracts with basic fees and 0.49 million contracts without basic fees / old contracts from the takeover of Drillisch as well as including 1.87 million contracts with basic fees from the takeover of Strato
(3) Including 0.25 million contracts with basic fees from the takeover of World4You

In addition to attracting new customers, retaining existing customers and promoting customer loyalty are the most important factors for expanding our customer base. The key control criterion for United Internet is customer satisfaction. We have therefore established structures and processes in all segments to continuously and sustainably measure, analyze, and ultimately improve customer satisfaction with the aid of key performance indicators (KPIs). Customer surveys, market research, and analyses, e.g., of postings on social media platforms, are carried out on a regular basis in order to collect feedback from customers. Depending on the segment, customer satisfaction is measured and controlled using various KPIs such as customer sentiment or the recommendation rate/net promoter score (NPS).

The findings from these customer satisfaction analyses are used to identify areas for improvement and then translated into concrete measures to increase customer satisfaction (e.g., in the field of service or product quality).

As of October 2018, for example, all customers of the IONOS brand have the opportunity to contact a personal consultant free of charge as a central point of contact for all questions relating to products, their contracts, and their online business success. In this way, IONOS can accompany freelancers and companies through all phases of their development – from registering a domain and setting up a first website, to setting up shop systems and dedicated servers, to using enterprise cloud infrastructures. In addition, companies have the opportunity to use numerous cloud applications that support their business.

Service quality

As part of the above measures, United Internet has also invested heavily in service quality over the past years, e.g., with the introduction of the so-called 1&1 Principle and further constant enhancements to it.

With the 1&1 Principle, broadband and mobile internet customers are given five clear product-related performance promises. These include, for example, a one-month test phase and highly available expert hotline, delivery of the ordered product within one working day, or on-site replacement of faulty equipment on the next working day.

As of 2017, the 1&1 Replacement Service offers additional all-round protection: in the event of damage, customers receive a new – and identical – mobile phone within 24 hours. If the model is not available, in exceptional cases, an equivalent smartphone is immediately delivered.

Since September 2018, this premium service has been free of charge for customers and included in all Mobile 1&1 All-Net Flat tariffs with smartphone on signing the contract. The special feature is that the 1&1 Replacement Service goes beyond the usual device warranty and also covers self-caused damage, such as water damage or screen breakage. This all-round protection is valid for the entire minimum term.

The excellent scores achieved in customer service surveys during 2019 are proof that the investments in service quality are paying off.

As in previous years, the German newspaper DIE WELT, together with ServiceValue, systematically examined the service quality of German companies from the customer's point of view. ServiceValue is a Cologne-based analysis and consulting company specializing in relationship management between companies and stakeholders. Service ranking from the customer's perspective is based on the scientifically proven Service Experience Score (SES). This percentage value is determined in the same way as the well-known polling question "Which party would you vote for if the election were held this Sunday" and represents a clear, understandable and efficient measuring instrument.

As part of the SERVICE CHAMPIONS 2019 study (published in October 2019), customers were asked to judge the best companies with regard to service experienced from a total of 3,530 companies from 353 different industries.

The United Internet brand 1&1 (Consumer Access segment) won the "No. 1 in Customer Service Experience" award in both the "Telecommunications" and "Internet Provider" (DSL) sectors.

Other sector winners were the United Internet brands GMX (Consumer Applications segment) in the "E-mail Provider" sector and Strato (Business Applications segment) – for the sixth time in a row – in the "Web Hosting Provider" sector, in which IONOS (Business Applications segment) followed in second position.

1&1 Versatel (Business Access segment) is one of the most popular telecommunications service providers for small to mid-sized companies (SMEs). This was proven by a ranking of the German magazine WirtschaftsWoche (published in February 2019). In cooperation with ServiceValue, WirtschaftsWoche identified the most popular service providers of Germany's SMEs once again in 2019. More than 9,000 decision-makers, buyers, and users of SMEs were surveyed. In addition to general customer satisfaction, seven other categories – such as consulting, value for money, and service quality – were evaluated. Overall, customer ratings were obtained for 356 providers from 33 industries. 1&1 Versatel achieved very good results in two categories (Telecommunications Telephony/Internet and Telecommunications Telephony/Internet/Mobile), finishing second in each.

The best customer service awards for IONOS in Spain and France (Business Applications) illustrate that these excellent service ratings are not limited to Germany. In Spain, the IONOS hotline won the coveted service award "Elegido servicio de atención al cliente" in the "Web products" category for the sixth time in a row in October 2019. The same applies to the IONOS hotline in France, which won the "Élu Service Client de l'Année" service award for the best customer service in the "Web products" category for the second year in a row in October 2019.

In 2019, the "Personal Consultant" service of IONOS was awarded gold for the best customer service initiative at the "European Contact Center & Customer Service Awards". IONOS thus took first place in this segment at one of the most prestigious awards of the customer contact industry with 30 participants.

Product quality

The product quality of the United Internet brands also received various accolades in the fiscal year 2019. For example, the United Internet brands IONOS and Strato ranked first and second in the "Modular Website Kits for the SME sector" test held by "PC Magazin" (publication: April 2019). The testers focused on finding and testing web hosting packages which enable newcomers to quickly and easily create a website for their office community, crafts business, or law firm. The key factors were therefore simplicity, clarity, and good support. The test winner IONOS was ranked particularly highly for its comprehensive and personal customer service.

The Information Service Group (ISG) named IONOS its Rising Star 2019 in the IaaS market. The analysts thus honored the cloud computing provider's outstanding development over the past twelve months, as well as its high future potential. The analyst firm compared a total of twelve cloud infrastructure providers worldwide. IONOS was particularly compelling with regard to its price/performance, local data protection, easy access, and strong performance.

Network quality

In terms of network quality, 1&1 Drillisch came third in the prestigious broadband and landline network test of Germany's "big players" conducted by respected German specialist magazine "connect" (published in August 2019). With a score of 872 from a maximum 1,000 points (prior year: first place), 1&1 was once again awarded the overall rating "Very Good".

In 2019, the German magazine "connect" once again examined test connections in the categories Voice, Data, Crowdsourcing, Web Services, and Web TV in its annual review of all well-known providers.

1&1 uses the fiber-optic network of its sister company 1&1 Versatel for the realization of broadband connections. At locations where the network is not yet available, 1&1 cooperates with other telecommunications companies. 1&1 provides its telephony services via its own voice-over-IP (VoIP) platform, which has proven its reliability for over 10 years now and is constantly being enhanced.

The latter once again impressed in the category Voice with its fast connection and voice runtimes. In the Voice or high-speed Internet category, 1&1 achieved the best performance results together with regional provider M-net. In the new category Crowdsourcing, 1&1 was among the middle-ranked. In terms of Web Services, 1&1 was one of the top three together with Telefónica and M-net, while 1&1 and M-net were rated second best in the Web TV category.

The landline test was carried out on behalf of "connect" by zafaco GmbH. According to "connect", about 4.6 million measurements were performed on test connections in a total of 52 cities throughout Germany over a period of around four weeks.

Security and data privacy

With the launch of the "E-Mail made in Germany" initiative in 2013 (in cooperation with a network also comprising Deutsche Telekom and freenet), United Internet's e-mail services GMX and WEB.DE (Consumer Applications segment) also offer customers high standards with regard to the security and privacy of e-mail communication. This includes the encrypted transmission of all e-mails on all network routes, the processing and storage of all data in Germany according to German data protection regulations, and the identification of secure e-mail addresses within the e-mail applications.

As of April 2014, only SSL keys certified in Germany are used within the "E-Mail made in Germany" network and all transmission routes are fully encrypted. As an important enhancement of the security standard "E-Mail made in Germany", GMX and WEB.DE developed an encryption system based on the globally recognized "Pretty Good Privacy" (PGP) standard in 2015. The new e-mail security level works on all commonly used devices, is provided free to all customers of the two mail services, and is compatible with all previous PGP applications. In 2016, the PGP solution of GMX and WEB.DE was also rolled out in the foreign markets of France, Spain, and the UK via the international e-mail brand mail.com.

Following end-to-end encryption for e-mails in the past few years, GMX and WEB.DE also rolled out end-to-end encryption for the cloud content of its customers in the fiscal year 2017. In addition to the automatic uploading of photos from smartphones to the cloud and improved publishing and sharing functions, security has also been stepped up: all users of WEB.DE and GMX in Germany, Austria, and Switzerland (DACH) can use their "safe" for free end-to-end encryption of their cloud data, thus offering protection from third parties. As a result, the portal brands are strengthening their "Cloud Made in Germany" initiative and clearly differentiating themselves from non-European solutions.

In 2018, GMX and WEB.DE introduced a new protection against calendar spam – still a relatively new phenomenon. Spammers send fake appointment invitations to the mailbox and the digital calendar. GMX and WEB.DE allow customers to report and delete calendar spam. By clicking on a new "spam" button, the fake invitations with advertising, supposed discounts, or links to malware and phishing sites are deleted from the inbox.

As of 2019, GMX and WEB.DE offer users in Germany, Austria and Switzerland further protection against hackers with "two-factor authentication" (2FA). As soon as 2FA is activated and set up, not only the usual password (first factor) but also an additional confirmation code (second factor) is requested when logging in. This code is generated by an authentication app installed on the user's smartphone.

With the aid of these and other security features, WEB.DE secured its test victory in a test conducted by the German consumer organization "Stiftung Warentest" (test 05/2019). A total of eleven German-speaking cross-system cloud storage services with free variants were tested. Particular attention was paid to the security of data stored in the cloud. With its compliance to strict German data protection laws, WEB.DE online storage was ranked highly in this category. All data are stored on servers in German data centers. The testers were also impressed by the transparent design of the company's terms and conditions. Both the general terms and conditions and the data privacy declarations were 100 percent free of defects.

Customer trust / recommendation behavior

A high level of service, product, and network quality combined with high standards of security and data privacy also have a positive impact on the aspect of customer trust, and ultimately on the recommendation behavior of customers.

For example, the United Internet brand GMX is the e-mail provider which Germans trust most. This was the result of a survey (September 2019) commissioned by the German magazine WirtschaftsWoche in which GMX once again received the "Highest Customer Trust" rating while

WEB.DE was attested "Very High Customer Trust". Starting in 2014, WirtschaftsWoche has been examining the trust of German consumers in various companies once a year, in conjunction with ServiceValue. The results are published in "Germany's Largest Trust Ranking". In 2019, approx. 474,000 customers of 1,619 companies in 131 sectors were interviewed. 81.1% of all respondents stated that they trusted GMX. For the fifth year running, GMX was the top ranked e-mail provider and achieved a score in 2019 which was 16.3% above the average for all e-mail providers (64.8%). The survey's academic advisor is the Psychology Institute of Goethe University Frankfurt/Main.

Together with ServiceValue, Focus Money conducted a large-scale customer survey in 2019 on the recommendation behavior of customers across 82 industries and over 1,200 companies (June 2019). ServiceValue applied its scientific method to evaluate approx. 494,000 customer opinions. The recommendation rates for the United Internet brands GMX and IONOS put them in first place in the category "E-Mail" and "Webhosting". Second place in the "Webhosting" category went to another United Internet brand in the Business Applications segment, Strato.

Employees

The internet sector is a highly dynamic and globally networked industry with short innovation cycles. United Internet AG has risen to these challenges with great success over many years now. One of the key factors for the success and growth of the United Internet Group are its dedicated and highly competent employees and executives with their entrepreneurial and autonomous approach to work. The Company therefore attaches great importance to a sustainable and balanced strategy across all aspects of its HR activities: from employee recruitment, to targeted entry-level and vocational training formats, tailored skills training programs, support with individual career paths, through to sustainable management development programs, and the retention of high potentials and top performers.

United Internet AG was once again recognized as a top employer in 2019. Based on an independent study of the "Top Employers Institute", United Internet received the "TOP Employers Germany" award – as in the preceding years. Certification is only awarded to organizations which offer staff attractive working conditions. Assessment is based on career opportunities, employer benefits, working conditions, training and development opportunities, and the corporate culture.

Headcount and key figures

In the highly competitive market for skilled workers in the ICT sector, United Internet once again succeeded in recruiting top staff for its key positions and thus meeting the needs of its growing business. In addition to targeted employer branding, partnerships with education and training providers, and the positive impact of the Company's product brands on candidates, our successful recruitment efforts center around a candidate-friendly, highly competitive acquisition and selection process.

The number of employees increased by 3.1% to 9,374 in the fiscal year 2019 (prior year: 9,093). Headcount in Germany rose by 2.6% to 7,761 as of December 31, 2019 (prior year: 7,567). The number of employees at the Group's non-German subsidiaries grew by 5.7% to 1,613 (prior year: 1,526).

From the segment perspective, there were 3,163 employees in the Consumer Access segment (prior year: 3,150), 1,184 in the Business Access segment (prior year: 1,095), 1,007 in the Consumer Applications segment (prior year: 947), and 3,416 in the Business Applications segment (prior year: 3,355). A further 604 people were employed at the Group's headquarters (Corporate/HQ) (prior year: 546). The gradual increase in Corporate/HQ staff resulted in particular from the transfer of employees from the segments who already worked in corporate functions in the past, as well as from the pooling of apprentices in a specially created company.

Multi-period overview: headcount development by location(1)

	2015	2016	2017	2018	2019	Change over 2018
Employees, total	8,239	7,897	9,414	9,093	9,374	+ 3.1%
thereof in Germany	6,502	6,322	7,890	7,567	7,761	+ 2.6%
thereof abroad	1,737	1,575	1,524	1,526	1,613	+ 5.7%

(1) Active employees as of December 31 of the respective fiscal year

Multi-period overview: headcount development by segment(1)

	2015	2016	2017	2018	2019	Change over 2018
Employees, total	8,239	7,897	9,414	9,093	9,374	+ 3.1%
thereof Consumer Access		2,401	3,457	3,150	3,163	+ 0.4%
thereof Business Access		1,077	1,069	1,095	1,184	+ 8.1%
thereof Consumer Applications		978	961	947	1,007	+ 6.3%
thereof Business Applications		3,243	3,586	3,355	3,416	+ 1.8%
thereof Corporate/HQ		198	341	546	604	+ 10.6%

(1) Active employees as of December 31 of the respective fiscal year; as the new segmentation was only carried out as of the annual financial statements 2018, the segment breakdown is limited to the fiscal years 2016 - 2019

Personnel expenses rose by 2.6% to € 552.8 million in fiscal year 2019 (prior year: € 538.8 million). The personnel expense ratio thus amounted to 10.6% (prior year: 10.5%).

Multi-period overview: development of personnel expenses

in € million	2015	2016	2017	2018	2019	Change over 2018
Personnel expenses	429.7	433.8	489.0	538.8	552.8	+ 2.6%
Personnel expense ratio	11.6%	11.4%	11.6%	10.5%	10.6%	

Sales per employee, based on annual average headcount, amounted to approx. € 563k in fiscal year 2019 (prior year: approx. € 551k).

Targeted staff support and ongoing development

In order to keep pace with or even anticipate new technologies, competitive ideas, and market trends, it is important to continuously develop the Company's employees. Pooling and retaining knowledge in-house requires a sustainable policy for aligning the Company and market requirements for various functions with the individual career objectives and prospects of staff.

United Internet attaches great importance to giving all employees at all locations – regardless of departments and functions – the same opportunities for development. A transparent, Group-wide framework for staff development was therefore defined from an early stage. The range comprises standard programs and support measures, as well as various function-based offerings which are tailored to the respective employee and skills profile. Specifically, this involves a gradual assumption of responsibility and an expansion of competencies within the specific field of work function – from beginner to expert.

Staff are supported both in their daily work ("on the job") as well as with targeted training measures. United Internet is also moving with the times in this respect by offering a wide range of training via a digital platform (1&1 Campus) in addition to its existing program. Everybody recognizes it on a day-to-day basis: learning is no longer restricted to school and vocational education. Social, economic and above all technological developments both call for and enable a permanent learning process. This platform offers flexible learning opportunities, a wide range of formats, easy usage possibilities, and requires users to display a high degree of inner drive during the learning process.

In addition to vertical development paths, horizontal development is also possible between different functions. In addition, the organization's permeability allows transfers between products or segments, and thus enables the interdisciplinary development of employees.

For employees who have reached the highest competency level ("senior") for their respective function and would like to assume more responsibility for a special topic or in a management role, the Company offers two career models: the "management track" and the "expert track". Whereas employees choosing the "management track" gradually assume more and more staff responsibility, "experts" have a high degree of specialist knowledge. However, they have no direct line responsibility, but are top performers, "know-how owners", and advisors on strategic questions in their specific field and act as multipliers for their knowledge inside and outside the Company. Both the management and expert tracks are "permeable", i.e., horizontal movement is also possible and an expert can become a manager and vice versa.

Discovering and nurturing potential and performance from an early stage
With the aid of junior management programs, United Internet develops young talents fresh from university from an early stage. The main target is to be able to recruit and train future managers and specialists from within the Company.

Further development programs are offered for staff with exceptional abilities and potential in all areas of the Company. Such employees are then accompanied through a structured program of individual development and training plans in order to prepare them for their future personal challenges, and those of the Company (MyWay+ and Senior+ for staff at Advanced/Senior level).

Specialist training by colleagues for colleagues
A particular training-on-the-job initiative in the United Internet Group's technical divisions is the TEC campus. This comprises a series of lectures ("Business Academy"), training on tools, processes, and methods, as well as e-learning, and two internal conferences, the cross-national and cross-locational TECDays. The program and content are jointly designed by Technology and Human Resources staff in coordination with the Management Board members responsible for "Technology". The aim is to create a framework in which staff can benefit from their mutual knowledge and networks.

PASK (Project/Agile/Scrum/Kanban methods) is a conference on all aspects of agility: technologies from development and operations are discussed here twice a year. Both events feature lectures and interactive formats, such as workshops, discussion rounds, and open spaces. The wide-ranging topics and intensive pooling of topics within two days attract colleagues from all locations and departments, and help expand networks and experience.

Thanks in part to the measures described above, the United Internet Group was able to recruit around 70% of managers from within its own ranks in fiscal year 2019 (prior year: around 65%).

Training held in high regard
The United Internet Group also attaches great importance to apprenticeships and initial vocational training. The Company trains young people to meet its future needs and offers them a successful start to their professional lives. The Company currently offers apprenticeships in commercial and technical professions, including IT specialist (application development/systems integration), IT systems clerk, dialogue marketing clerk, marketing communication clerk, and office management clerk. In cooperation with Baden-Wuerttemberg Cooperative State University (Duale Hochschule Baden-Württemberg - DHBW), United Internet also offers degree courses in Computer Sciences, Information Management, Accounting, Tax & Law/Accounting & Controlling, Business Administration/Marketing Management, and Business Administration/Digital Business Management at the universities of Karlsruhe, Stuttgart, and Mannheim.

During their three-year training or DHBW studies, all participants experience a wide variety of different Company departments. During these periods, they are fully integrated into the respective teams and daily processes. The apprentice workshops at the facilities in Karlsruhe and Montabaur have proved especially successful. Technical apprentices in particular spend part of their training period in the workshops in order to learn the basics for their later careers as early as possible. In addition to the provision of technical and methodological skills, the Company also attaches great importance during training to behavior which is compliant with its corporate culture. The internalization of corporate culture, expertise, methodological skills, and behavior in line with the corporate values form the basis for a successful transition to the post-training period. Many of those trained by the United Internet Group are thus ideally prepared for the transition to full-time employment.

In order to secure the number of high-caliber apprentices, in spite of dwindling school-leaver numbers, United Internet is now starting its efforts even earlier: in addition to cooperation and school events, the Company has also been offering one-on-one career advice for some time now. This service is being used by both the children of our employees and by young people without any direct personal link to the Company. On specific information days, trainers provide information on apprenticeships and career opportunities within the Company and are also available to give advice. In addition, internships are also offered to schoolchildren to give them an insight into working life.

At year-end 2019, around 227 young people were serving their apprenticeships or engaged in studies at Group companies (prior year: 239). After successfully passing their examinations, United Internet endeavors to take on as many apprentices as possible and to make an attractive job offer to every graduate. In fiscal year 2019, 48 apprentices and DHBW students were given full-time jobs (prior year: 58).

As part of the "Fair Company Initiative", United Internet is committed to providing fair conditions for interns and thus guaranteeing a high level of benefit from their internships. In addition to adequate financial compensation, interns receive dedicated personal support from their respective departments and HR. Interns and former interns regularly emphasize this aspect and stress the high learning effect achieved during their internships. Internships are offered every year for students of IT, Product Management and Online Marketing, as well as in the field of Finance and HR.

United Internet is also a sponsor of the "Germany Scholarship" program, in which companies and the state play an equal role in promoting future graduates and helping them complete successful and challenging degree courses. The scholarship program supports students whose achievements promise future excellence in their studies and careers. Since the program was launched in 2011, United Internet has sponsored students at the two elite universities LMU and TU Munich. However, United Internet does not limit its activities to financial support, but also offers the current three students (prior year: five) personal mentoring by colleagues in the respective departments. This often leads to internships or jobs as working students.

Diversity

Without the individual strengths of its employees, United Internet would not be what it is today – an internationally successful, innovative company on track for growth. United Internet attaches great importance to the constructive use of diversity management and the handling of social differences between its employees.

The United Internet Group's corporate culture is based on mutual respect and a positive attitude toward individual differences with regard to culture, nationality, gender, age, religion, sexual orientation, and disability – in other words, everything that makes the Company's employees unique and distinctive. A work force composed of diverse personalities offers ideal conditions for creativity and productivity. The resulting potential for new ideas and innovation strengthens United Internet's competitive position and enhances its opportunities in future markets. In accordance with this principle, the Company strives to find the field of activity and function for each employee which allows them to fully exploit their individual potential and talents. In addition to productivity, diversity also helps raise the general level of satisfaction among employees. These are key reasons for many applicants to select their future employer. As United Internet's customers also have a wide variety of needs and wishes, they appreciate a business partner who can live up to their own diversity.

However, the promotion of diversity is not simply a one-size-fits-all solution. Employees and applicants are recruited, employed, and promoted on the basis of objective criteria, such as skills, aptitude, and expertise. In corporate divisions in which women are structurally under-represented, United Internet seeks to raise their representation provided they have the same qualifications, skills, and suitability. However, the Company always decides on a case-by-case basis.

Since the previous year, the development of women in United Internet companies has been supported by a structured planning of activities such as lectures, collegial case consulting, topic-related exchange groups, and individual measures, such as coaching or mentoring.

Multi-period overview: employees by gender(1)

	2015	2016	2017	2018	2019
Women	34%	34%	31%	32%	32%
Men	66%	66%	69%	68%	68%

(1) Active employees as of December 31 of the respective fiscal year

The average age of the United Internet Group's employees at the end of fiscal year 2019 was around 38 (prior year: 38).

Multi-period overview: employee age profile(1)

	2015	2016	2017	2018	2019
< 30	27%	28%	24%	26%	23%
30 – 39	40%	41%	36%	38%	34%
40 – 49	25%	23%	27%	25%	27%
≥ 50	8%	8%	13%	11%	16%

(1) Active employees as of December 31 of the respective fiscal year

Employees of United Internet AG work in an international environment at over 30 sites around the world.

Multi-period overview: employees by country[1]

	2015	2016	2017	2018	2019
Employees, total	8,239	7,897	9,414	9,093	9,374
thereof Germany	6,502	6,322	7,890	7,567	7,761
thereof France	25	3	3	3	3
thereof UK	234	209	232	216	233
thereof Austria	8	6	5	37	43
thereof Philippines	390	386	366	351	360
thereof Poland	263	258	251	270	309
thereof Romania	229	194	174	176	195
thereof Spain	339	322	319	331	330
thereof USA	239	197	174	142	140
thereof Other	10	0	0	0	0

(1) Active employees as of December 31 of the respective fiscal year

Green IT

In the wake of the global climate debate and rising energy consumption, the term "Green IT" is often used in the computer industry. The term basically comprises all measures that contribute toward reducing a company's CO_2 emissions and energy consumption.

The ICT sector makes a significant contribution to global added value and is thus a strong economic factor. At the same time, it also emits a significant amount of CO_2 and consumes a lot of electricity. For internet service providers like United Internet, this applies in particular to the data centers where millions of cloud applications are managed for private and commercial users.

United Internet has been using electricity from renewable sources at its data centers in Germany for more than ten years now. In all countries in which it operates data centers, e.g., the USA, the UK, and Spain, the Company now uses a mix of renewable energies and CO_2 offsetting via the use of certificates. This enables the climate-neutral operation of all data centers.

The Company also attaches importance to using renewable energy from geographically adjacent regions, i.e., mostly in the same country or in a nearby area (e.g., the Alpine region).

The main elements of the Company's energy-saving efforts at its data centers around the world are:

- The operation of a certified energy management system according to ISO 50001:2011 that ensures that energy efficiency is considered and implemented in line with sustainability aspects during the procurement, operation, and maintenance of all infrastructure components.

- Server hardware: a proportion of our servers are built-to-order for United Internet. We leave out unnecessary components and specify, for example, energy-saving processors and power supplies with low heat loss. This means that less heat is radiated and data rooms do not have to be cooled as much. The servers are sustainably recycled by certified companies at the end of their life cycle.

- Software used: the web hosting system used by United Internet is our own highly optimized development, based on Linux. The modification enables us to manage the data of several thousand customers on a single computer and at the same time, and thus utilize our resources as sensibly as possible.

- Virtualization and use of containers: the server hardware used in data centers is often only utilized at an average rate of 15% to 25%. With the aid of virtualization, efficiency can be increased significantly – thus saving energy.

- Containers further optimize the virtualization principle by dispensing with redundant operation of operating systems. Instead, they are shared by several instances. This also enables even stronger "elastic" load-dependent scaling of the IT resources provided. Virtualization and containers are used both in internal operations and for customer products.

Social responsibility

"United Internet for UNICEF" foundation

The "United Internet for UNICEF" foundation was set up by Ralph Dommermuth in September 2006 as an independent foundation under German civil law. It primarily supports projects of UNICEF, the United Nations Children's Fund.

Projects are carefully selected from the wide range of UNICEF topics and presented on the high-reach portals of the United Internet Group (1&1, GMX und WEB.DE) in order to attract as many donors as possible for the particular project or as sustaining members of UNICEF. During emergency situations, such as in March and April 2019 when 2.2 million people – including over a million children – were hit by the effects of the cyclones Idai and Kenneth, newsletters can reach over 30 million people within 24 hours and thus facilitate the effective collection of donations.

In 2019, the foundation mostly supported the crisis regions of South Sudan, Somalia, and Yemen and also supported projects in India and Venezuela. Moreover, it launched two emergency newsletters for the victims of the aforementioned Idai and Kenneth cyclones in Mozambique, whereby "United Internet for UNICEF" provided € 1.2 million for emergency aid in the country.

The single or repeat donations gained via United Internet's portals are passed on 100% to UNICEF as all foundation staff work on a voluntary basis, or are not paid from "United Internet for UNICEF" donations.

There were several reasons to set up a foundation devoted principally to supporting UNICEF:

- UNICEF makes a sustainable improvement to the lives of children. True to the principle of "Helping People Help Themselves", UNICEF develops national programs around the world focusing on education, health, child protection, and the fight against malnutrition. UNICEF involves the local population in its development work and supports them in such a way that they can look after themselves and their children.

- UNICEF provides long-term aid, but also offers fast and reliable help in emergency situations. In the wake of earthquakes, floods, or wars, UNICEF provides children with clean drinking water and drugs, sets up provisional schools and offers psycho-social care. UNICEF can draw on its many years of experience and global presence.

- UNICEF imposes strict controls on the use of donations. Both the UNICEF representatives in the program countries and the local partners are regularly inspected to ensure that funds are being used exactly as planned.

In the fiscal year 2019, a further € 4.7 million (prior year: € 3.5 million) was collected in donations and transferred to UNICEF – according to preliminary figures. Since its creation, the foundation has so far collected € 47.8 million.

Further information on the "United Internet for UNICEF" foundation can be found online at www.united-internet-for-unicef-stiftung.de.

Support for refugees

The integration of people who have fled war and destruction continues to pose challenges for society, such as care and language barriers, as well as their cultural and economic integration. In addition to the "United Internet for UNICEF" foundation, the United Internet Group has been active since 2015 in various activities to promote the sustainable integration of refugees in Germany. The Company's integration measures are based on the current needs of the refugees and have therefore been constantly adapted over the past few years.

The initiative began with "1&1 Welcome" in 2015, when United Internet employees helped refugees settle in their initial accommodation with a variety of offers (e.g., music, sports, and leisure activities, decorating their rooms). This was soon followed by "1&1 Language" in which contact centers were set up near refugee homes to offer German language courses.

With the closure of the refugee homes, demand for the initiatives also changed. Since March 2016, the main focus has therefore been on the "1&1 Fit for Job" training program. In addition to the measures offered by the state and local authorities, refugees are given help to prepare for the German labor market. At United Internet's facilities in Montabaur, Karlsruhe, and Munich, a modular program gives participants a general overview of office work, the cultural environment, and possible careers at the Company, as well as hands-on training units on job applications and PC skills. All courses are held by skilled employees of United Internet, who can devote up to 10% of their working hours to the program. In addition to a core team, over 190 employees have so far volunteered for the "1&1 Fit for Job" program.

Almost 400 refugees and immigrants have so far participated in the "1&1 Fit for Job" program. More than 130 participants subsequently completed an internship at companies of the United Internet Group.

In 2017, the focus of the initiative was once again adapted to the changing needs of the participants. For example, there were an increasing number of follow-up events, which focused more on working with PCs and job application training.

In 2018, the formats (training program, follow-up events, internship program, individual internship, sponsor program, employer events, networking) were adapted once more as needs changed away from training and toward preparation for work, and assistance with reintegration into the labor environment.

Although internships give an impression of working life in Germany, United Internet believes that apprenticeships are the only way to gain a firm professional foothold. 30 refugees are therefore currently doing an apprenticeship at Group companies and receiving intensive support in the form of learning assistance, language training, and personal mentors. The success of the initiative is demonstrated by the fact that seven refugees successfully completed their courses in 2019, and six of them have subsequently been given full-time employment by a company of the United Internet Group.

3. SUBSEQUENT EVENTS

United Internet AG has exercised its right to prematurely terminate a variable-rate tranche of promissory note loans totaling € 50 million and will repay it on the interest payment date of March 27, 2020. This tranche, which bore interest at 0.80% p.a., was originally due for repayment on March 27, 2023. As a result, the breakdown of liabilities into current and non-current bank liabilities disclosed in the consolidated balance sheet has been changed accordingly by the above mentioned amount.

Based on the authorization granted by the Annual Shareholders' Meeting on May 18, 2017 regarding the acquisition and use of treasury shares, and with the approval of the Supervisory Board, the Management Board of United Internet AG resolved on March 12, 2020 to cancel 11,000,000 treasury shares and to reduce the capital stock of United Internet AG by € 11,000,000, from € 205,000,000 to € 194,000,000. The number of shares issued will decrease correspondingly by 11,000,000, from 205,000,000 to 194,000,000 shares. Issued shares will continue to represent a notional share of capital stock of € 1 each. The cancellation of treasury shares is aimed at raising the percentage stake of United Internet shareholders. On completion of the capital reduction, the Company's capital stock will return to the level prior to the capital increase for the Versatel acquisition in 2014. Following the cancellation of these 11,000,000 shares, United Internet AG will still hold 6,338,513 treasury shares.

The ongoing global spread of the coronavirus (SARS-CoV-2) is increasingly impacting the risk situation of the United Internet Group, for example in the risk areas of "Procurement market" and "Acts of God". Should the virus continue to spread over a longer period, this may also have a negative impact on demand, as well as on the usage and payment behavior of consumers and business owners, the purchase of pre-services (e.g. smartphones, routers, servers or network technology), or the health and fitness of employees, and thus ultimately on the performance of the United Internet Group. A precise risk assessment with regard to the duration and concrete effects of the corona crisis is not possible at present, as the assessments of health experts and political measures are also changing on an almost hourly basis.

There were no other significant events subsequent to the end of the reporting period on December 31, 2019 which had a material effect on the financial position and performance or the accounting and reporting of the parent company or the Group.

Information on the economic position of the Group and Company at the time of preparing this Management Report are provided under point 4.3 in the "Forecast report".

4. RISK, OPPORTUNITY AND FORECAST REPORT

The risk and opportunity policy of the United Internet Group is based on the objective of maintaining and sustainably enhancing the Company's values by utilizing opportunities while at the same time recognizing and managing risks from an early stage in their development. A risk and opportunity management system which is "lived" ensures that United Internet AG can exercise its business activities in a controlled company environment. The risk and opportunity management system regulates the responsible handling of those uncertainties which are always involved with economic activity.

4.1 Risk report

Risk management

The concept, organization, and task of United Internet AG's risk management system are defined by the Management Board and Supervisory Board, and documented in a risk management strategy and risk management manual which is valid for and available to all members of the Group. These requirements are regularly adapted to changing legal conditions and continuously developed. Corporate Risk Management coordinates the implementation and ongoing development of the risk management system and is responsible for the centrally managed risk management process on behalf of the Management Board. The risk management system covers only the Group's risks, while responsibility for the early and ongoing identification, evaluation, and management of opportunities lies directly with the Group Management Board and the operating management levels of the respective segments.

Corporate Risk Management is supported by the risk management teams of the respective segments (Company Risk Management). In order to support Company Risk Management, additional local risk managers have been installed in business fields of particular importance for the Company's business success (such as the areas "Technology & Development"). In order to facilitate the Group-wide exchange and comparison of risk information, regular Risk Manager Meetings are held between the various risk managers and also with the Company-wide, cross-functional managers.

The Corporate Audit department regularly examines the functioning and efficiency of the risk management system. As part of his statutory auditing obligations for the Annual Financial Statements and Consolidated Financial Statements, the external auditor also examines whether the risk early recognition system is generally suitable for the early identification of risks and developments which might endanger the Company so that suitable countermeasures can be swiftly introduced. The system complies with statutory requirements regarding risk early recognition systems, as well as with the version of the German Corporate Governance Code valid at the time of the last Declaration of Conformity. Its design is based on the specifications of the international ISO standard ISO/IEC 31000:2018. In accordance with the regulations of the German Stock Corporation Act, the Supervisory Board also examines the efficacy of the risk management system.

Methods and objectives of risk management

The risk management system comprises those measures which enable United Internet to identify, classify in terms of money and scenario, steer, and monitor from an early stage all possible risks for the attainment of its corporate objectives with the aid of assessments and early warning systems. The aim of the Group-wide risk management system is to provide maximum transparency for management regarding the actual risk situation, its changes, and the available options for action so that a conscious decision can be taken to accept or avoid such risks. Risks endangering the Company must be avoided as a matter of principle. There is always an established indirect connection to central Group-wide risk management via the regular reporting channels throughout the Group and a direct connection for all major divisions. This ensures the completeness of registered risks in the risk management system.

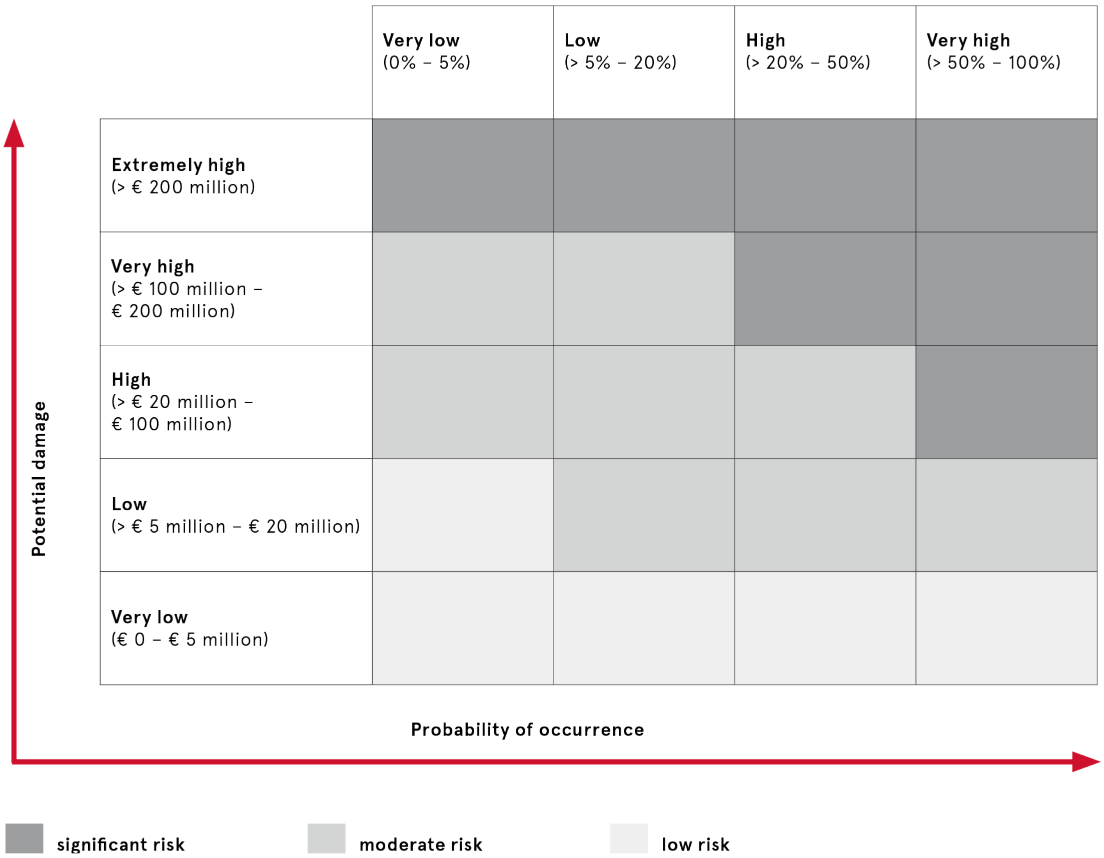
The current status of the main risks is communicated to the Management Board and Supervisory Board four times per year. Identified important risks with an immediate impact or significant changes in the risk situation trigger an ad-hoc reporting obligation. The respective risk is then communicated immediately to the CFO of United Internet AG, who in turn reports it to the Supervisory Board where necessary. In this way, significant risks can be addressed as quickly as possible.

Risks are assessed with their net impact, i.e., effects from mitigating (corrective) measures are only considered in the risk assessment after implementation.

Risks for United Internet

The assessment of the overall risk situation is the result of a consolidated examination of all known material risks. Of the total risks identified for the Group, the following sections describe the main risk categories from the Company’s point of view.

The starting point for assessing the materiality of risks is provided by the characteristics “probability of occurrence” and “potential damage”. The potential damage comprises the potential loss of revenue, as well as potential external and internal expenses. Based on the combination of probability of occurrence and potential damage, the risks are assigned as follows to one of three risk categories: “significant”, "moderate", and "low" risks.



Specific assessments of the Company’s Management Board regarding the Group’s risk situation, as well as the probability of occurrence, potential damage, and resulting categorization of the risks described below are provided at the end of this Risk Report.

Strategy

Shareholdings and investments
The acquisition and holding of shares in other companies and the making of strategic investments represent a key success factor for United Internet AG. In addition to improved access to existing and new growth markets, as well as to new technologies and know-how, investments also serve to exploit synergy and growth potential. However, these opportunities involve risks. For example, there is a risk that the targeted potential cannot be exploited as expected or that acquired shareholdings will not develop as expected (impairment losses, disposal losses, absence of dividend, or reduction of hidden reserves).

All investments are therefore subject to a continuous monitoring process by the Investment Management and are supported promptly if required. This risk is largely without relevance for EBITDA as, in the event of an incident, predominantly non-cash-effective impairments are incurred. The value of investments is continuously monitored by management and the Controlling division.

Business development and innovations
A further key success factor for United Internet is also the development of new and constantly improved products and services in order to enhance sales and earnings, attract new customers, and expand existing customer relationships. There is always a risk, however, that new developments might be launched too late on the market or not be accepted by the target group as expected.

United Internet counters such risks by constantly and closely observing market, product, and competition trends, as well as by undertaking product development which constantly responds to customer feedback.

As part of its efforts to diversify the business model or expand its value chain, United Internet occasionally enters new markets, or upstream and downstream markets. On January 24, 2019, the management board of 1&1 Drillisch AG, a subsidiary of United Internet AG, decided with the approval of its supervisory board to apply for admission to the auction on the allocation of mobile frequencies in the 2 GHz and 3.6 GHz frequency bands and, in the event of a successful acquisition of spectrum at the auction, to establish and operate a 5G mobile network. At present, the company's mobile offerings are based on the use of third-party networks. Following its admission by the Federal Network Agency ("Bundesnetzagentur") on February 25, 2019, the 5G spectrum auction began on March 19, 2019. 1&1 Drillisch successfully completed its participation in the 5G spectrum auction on June 12, 2019 and purchased two frequency blocks of 2 x 5 MHz in the 2 GHz band and five frequency blocks of 10 MHz in the 3.6 GHz band. The total auction price amounted to € 1.07 billion. By acquiring these frequencies, the company plans to gradually develop its own powerful mobile communications network, to further expand its value added in mobile communications, and to tap new business fields.

In addition to the resulting opportunities, such an entrepreneurial decision also entails risks. These may include, for example, the risk areas "technical plant operation", "procurement market" "litigation", "financing", and "liquidity". The Company attempts to minimize these risks by, among other things, cooperating with specialized partner companies as well as by preparing detailed and long-term plans in the risk areas "financing" and "liquidity".

Cooperation and outsourcing
United Internet works together with specialized cooperation and outsourcing partners in certain areas of the Company. The focus here is on objectives such as focusing on the actual core business, reducing costs, or leveraging the expertise of partners. These opportunities also involve risks in the form of dependencies on external service providers, as well as contractual and default risks.

In order to reduce these risks, detailed market analyses and due diligence reviews are carried out before major contracts are concluded with external service providers, and close and cooperative relationships are maintained with the cooperation and outsourcing partners after the contracts have been concluded.

Organizational structure and decision-making
The choice of the appropriate organizational structure is essential for the efficiency and success of the Company. In addition to the organizational structure, business success also depends to a large extent on making the right decisions. The basis for such decisions can be negatively influenced by various factors, such as limited flexibility offered by existing business processes and structures, or misunderstandings caused by ambiguities in the definition of key figures. If efficiency is jeopardized by one or several factors, this represents a strategic risk for United Internet which should be avoided wherever it makes economic sense.

Due to the high degree of agility within the organization, United Internet considers itself to be generally well positioned in this respect and undertakes a number of measures to standardize and optimize processes, structures, and key figures.

Personnel development and retention
Highly skilled and well trained employees form the basis for the economic success of United Internet. In addition to the successful recruitment of qualified personnel (see also the "personnel recruitment" risk), personnel development and the long-term retention of top performers within the Company are strategically important. If the Company fails to develop and retain executives and employees with specialist or technological knowledge, there is the danger that United Internet may not be able to effectively conduct its business and achieve its growth targets. The concentrated accumulation of strategic knowledge and skills (so-called head monopoly) can have a considerable impact on the performance of the Company if the corresponding employee is no longer available.

United Internet counteracts this risk by continuously developing employee and management skills. For example, it offers targeted measures for professional development, mentoring and coaching programs, as well as special offers for high potentials geared to the further development of talent and leadership skills.

Further information on the topic of "personnel" is provided in section 2.5 "Significant non-financial performance indicators" of this Management Report under "Employees".

Market

Sales market and competition
United Internet's markets are characterized by strong and sustained competition. Depending on the strategy of the parties involved in the market, different effects may occur which may lead also involve adjustments to the Company's own business models or pricing policy. The entry of new competitors might also jeopardize market shares, growth targets, or margins. In addition, United Internet itself occasionally enters new, additional markets with large competitors. Such an entrepreneurial decision is always associated with new risks.

United Internet attempts to minimize these risks by means of detailed planning based on internal experience and external market studies, as well as by constantly monitoring the market and the competition.

Procurement market
A gap in the procurement or delivery of resources required for business operations may also lead to bottlenecks or outages at United Internet. This applies both to the purchase of hardware and the purchase of wholesale services. An increase in the price of purchased products and services also represents a risk for the targeted margins. Planned positive effects from contractually fixed price adjustment rounds can also become a risk for the achievement of the Company's periodic targets due to time delays.

United Internet counters these risks by cooperating with several long-term service providers and suppliers and – where it makes economic sense – by expanding its own value chain.

Financial market
The activities of United Internet AG are fundamentally exposed to risks on the financial market. In particular, these include risks from changes in interest rates and exchange rates.

- **Interest**
  The Company is exposed to interest risks as the major share of its borrowing bears variable interest rates with varying terms. As part of its liquidity planning, the Company constantly monitors the various investment possibilities and debt conditions. Any borrowing requirements are met by using suitable instruments to manage liquidity. Surplus cash is invested on the money market to achieve the best possible return. Due to developments on the global finance markets, the interest risk remained largely unchanged. Market interest rate changes might have an adverse effect on the interest result and are included in our calculation of sensitive factors affecting earnings. In order to present market risks, United Internet has developed a sensitivity analysis which shows the impact of hypothetical changes to relevant risk variables on pre-tax earnings. The reporting period effects are illustrated by applying these hypothetical changes in risk variables to the stock of financial instruments as of the balance sheet date.

- **Currency**
  United Internet's currency risk mainly results from its operations (if revenue and/or expenses are in a currency other than the Group's functional currency) and its net investments in foreign subsidiaries.

Personnel recruitment
It is therefore essential that human resources are effectively controlled so that the Company can ensure its short- and long-term needs for staff and the requisite expertise. If United Internet is not able to attract managers and employees with specialist and technological knowledge, it would not be able to effectively conduct its business and achieve its growth targets.

As an attractive employer, the Company believes it is well placed to hire highly skilled specialists and managers with the potential to drive its business success in the future. This was confirmed in the past years by the Top Employers Institute, which awarded United Internet the accolade "Top Employer 2019".

Further details on the topic of human resources are provided in section 2.5 of this Management Report "Significant non-financial performance indicators" under "Employees".

Provision of services

Work processes
In view of the ever-increasing complexity and interoperability of the products offered, there are steadily growing demands placed on the development of internal work processes. This also involves an ever-higher degree of coordination The particular challenge is to ensure quality standards especially in view of fast-changing market events – and on numerous differing domestic and foreign markets.

The Company counters these risks by continuously developing and enhancing its internal processes, pooling and retaining its experts and key personnel, and continuously optimizing its organizational structures.

Information security
United Internet generates its commercial success largely in the telecommunications market and within the environment of the internet. In order to provide products and services, the Company uses information and telecommunication technologies (data centers, transmission systems, connection nodes, etc.) in its business processes which are closely networked with the internet and whose availability may be endangered by threats from the internet.

In order to deal with such risks more quickly, the existing monitoring and alarm system, together with the necessary processes and documentation, is continuously optimized.

There is also the risk of hacker attacks with the aim of stealing or deleting customer data, or using services fraudulently. In the fiscal year 2019, an increasing professionalization of the attackers and their attack methods was observed. According to the German Federal Office for Information Security (BSI), the number of known malicious program variants amounted to around 114 million new malware variants in the period June 2018 to May 2019.

United Internet counters this risk with the aid of virus scanners, firewalling concepts, self-initiated tests, and various technical monitoring mechanisms.

The threat potential of the internet is one of the largest threat groups for United Internet with regard to its effects, which are all monitored by numerous technical and organizational measures. Of particular relevance in this respect are the operation and continuous improvement of the security management system and the steady enhancement of system resilience.

Capacity bottlenecks
Due to temporary or permanent shortages of technical resources, e.g., due to the temporary overloading of systems or a lack of resources to operate data centers, the planned provision of services may be jeopardized, threatening a corresponding loss of sales. Risks from the procurement of resources, such as products or services on the market, are not taken into account here.

In order to counter these risks, several internal stores are maintained. In addition, the Company is in close contact with energy suppliers, for example, in order to coordinate emergency concepts regarding the data centers. In the case of outages, these can be compensated for at short notice by implementing the aforementioned measures.

Projects
The classic project objectives of quality, time, and budget are defined before or at the start of a project and are thus the subject of entrepreneurial planning. If potential risks already become apparent in the course of planning or project design (e.g., in the case of the planned construction of

the Company's own mobile communications network) or if negative deviations from these plans become apparent in the course of a project's implementation, these are recorded as risks. Moreover, projects may also involve risks that do not affect the project itself but arise after the project has been completed (for example, security vulnerabilities in new software code).

In addition to maintaining the current professional project management, the Company reduces the aforementioned risks by holding regular specialist project management training courses, in order to improve such aspects as security or data privacy requirements. The project objectives of quality, time, and budget are also closely monitored by management and the Controlling division.

Technical plant operation
United Internet's products and related business processes are based on a complex technical infrastructure and a number of success-critical software systems (servers, customer relationship databases, and statistics systems, etc.). Constantly adapting this infrastructure to changing customer needs leads to greater complexity and regular changes. In addition to major events, like the migration of databases, this may lead to various disruptions or defects. Should this affect our business systems or their databases, for example, daily account debiting may be delayed or no longer possible. Should this affect our performance systems, for example, United Internet may not be able to provide its customers with the promised service, on a temporary or longer-term basis.

The Company meets these risks by making targeted adjustments to the architecture, introducing quality assurance measures, and establishing spatially separated (geo-redundant) core functionalities.

For the operation of systems, there is a risk of targeted attacks from inside and outside the Company, e.g., from hackers or manipulation by staff with access rights, which may result in non-availability or a deterioration of services.

In order to counter this risk, the Company takes a wide variety of software- and hardware-based safety precautions to protect the infrastructure and its availability. By dividing responsibilities, the Company has made sure that activities or business transactions involving risks are not carried out by single employees but on the basis of the "double-check principle". Manual and technical access restrictions also ensure that employees may only operate within their particular area of responsibility. As an additional precautionary measure against data loss, all data are regularly backed up and stored in separate, i.e., geo-redundant, data centers.

Compliance

Data privacy
It can never be fully ruled out that data privacy regulations may be contravened, for example by human error or technical weaknesses. In such cases, United Internet faces fines and the loss of customer confidence.

United Internet stores the data of its customers on servers according to international security standards at its own and at rented data centers. The handling of these data is subject to extensive legal regulations.

The Company is aware of this great responsibility and attaches a high degree of importance and care to data privacy. By using state-of-the-art technologies, continuously monitoring all data-privacy and other legal regulations, providing extensive staff training on data protection regulations, and involving data protection aspects and requirements as early as possible in product development, United Internet continuously invests in improving the standard of its data privacy.

The new rules of the EU General Data Protection Regulation (GDPR) came into force in May 2018. Due to increased sanctions for breaches of duty, data protection risks have increased. In addition to higher sanctions, GDPR also includes new regulations regarding consent declarations, as well as new obligations for reporting to authorities and those affected in the case of data loss.

Misconduct and irregularities
Non-compliance or non-observance of social norms, trends, and peculiarities can lead to misconduct and wrong decisions and thus to a loss of revenue. As an internationally operating company, United Internet also faces the challenge of countering such negative factors through adequate management in the area of internal processes and procedures. Not every decision or business practice that is unobjectionable from a legal point of view is also acceptable in the respective cultural, ethical, or social context.

United Internet counters the risks arising from misconduct and breaches of rules with its "culture of togetherness", the provision of a Code of Conduct, country-specific management, and compliance as an integral part of corporate culture.

Legislation and regulation
Changes in existing legislation, the enactment of new laws, and changes in government regulation issues may have unexpected negative effects on the business models pursued by United Internet and their further development. In the Consumer Access segment in particular, the decisions of the Federal Network Agency and the Federal Cartel Office have an influence on network access and the pricing of internet access tariffs. Price increases of network providers from whom United Internet purchases pre-services for its own customers can have a negative impact on the profitability of tariffs. In the same way, there is also the possibility that a lack of regulation may lead to a deterioration of market circumstances for United Internet.

United Internet attempts to counter this tendency toward an increasing regulation risk by cooperating with various pre-service providers and by actively participating in the activities of industry associations. With its complete takeover of Versatel in 2014, United Internet now also has its own landline network. This network infrastructure gives United Internet the possibility to gradually expand its vertical integration and to procure fewer broadband wholesale services. In addition, since the takeover of Drillisch (now 1&1 Drillisch) in 2017, United Internet has been the only MBA MVNO in Germany with long-term rights to a share of up to 30% of the used network capacity of Telefónica Germany. This gives United Internet extensive access to one of Germany's largest mobile networks and to all available mobile communications technologies, such as 5G.

Litigation
The United Internet Group is currently involved in various legal disputes and arbitration proceedings arising from its normal business activities. The outcome is by definition uncertain and thus represents a risk. Insofar as the size of the obligation can be reliably estimated, accruals are formed for such risks from litigation, where permissible.

Tax risks
As an internationally operating company, United Internet is subject to the tax laws applicable in the respective countries. Risks may arise from changes in tax laws or case law, as well as from differences in the interpretation of existing regulations.

United Internet counters these risks by continuously expanding its existing tax management system.

Finance

Financing

The main financial liabilities incurred by United Internet AG for the financing of its activities include bank loans, overdraft facilities, and other financial liabilities. United Internet holds various financial assets which result directly from its business activities. They consist mainly of shares in affiliated companies and investments, as well as receivables from affiliated companies. As of the balance sheet date, the Company mainly held primary financial instruments.

The aim of financial risk management is to limit risks through ongoing operating and financial activities.

Fraud and credit default

In order to meet the requirements of dynamic customer growth and provide services as quickly as possible in the interests of its customers, United Internet has largely automated its order and provision processes – as have many other companies in such mass market businesses. The nature of such automated processes provides possibilities for attacks from fraudsters. Due to the strong appeal of the products and services offered, not only the number of customers is increasing but also the number of non-payers and fraudsters. Consequently, the amount of credit default has risen. United Internet may suffer damage, for example, from hardware or automated domain orders which are ordered under false names and not paid for. The fraudulent use of SIM cards may also incur damage due to large-scale call forwarding or roaming calls, for example.

United Internet attempts to prevent such fraud attacks – or at least to recognize and end them at an early stage – by permanently expanding its fraud management capabilities, working closely with pre-service providers, and taking account of such risks in the design of its products.

Liquidity

The general liquidity risk of United Internet consists of the possibility that the Company may not be able to meet its financial obligations, such as the redemption of financial debts. The Company’s objective is to continuously cover its financial needs and secure flexibility, for example by using overdraft facilities and loans.

Group-wide cash requirements and surpluses are managed centrally by the cash management system. By netting these cash requirements and surpluses within the Group, the amount of external bank transactions can be minimized. This is managed, for example, by using cash pooling processes. The Company has established standardized processes and systems to manage its bank accounts and internal netting accounts, as well as for the execution of automated payment transactions. In addition to operating liquidity, United Internet also holds other liquidity reserves, which are available at short notice.

Acts of God

External events such as natural disasters (earthquakes, floods, tsunamis, etc.), personnel crises (pandemics, strikes, etc.), infrastructure crises (power outages, road damage, etc.), or violent incidents (rampage, terrorist attacks, etc.) may affect United Internet's operations.

United Internet counters these risks as far as possible with a variety of measures. Examples include the establishment of building access restrictions, the operation of georedundant data centers, or (as in the current case of the coronavirus) hygiene precautions, location-independent workplaces, the use of modern communication media to avoid travel, and the elaboration of emergency concepts.

Additional disclosures on risks, financial instruments, and financial risk management

Further details on risks, financial instruments, and financial risk management are provided in Note 43 "Objectives and methods of financial risk management" in the Notes to the Consolidated Financial Statements.

Management Board's overall assessment of the Group's risk position

The assessment of the overall level of risk is based on a consolidated view of all significant risk fields and individual risks, also taking account of their interdependencies.

From the current perspective, the main challenges are the risk fields "Information security", "Litigation", and "Business development & innovations". The risk classifications of the risk fields "Litigation" and "Business development & innovations" were raised during the year due to legal disputes with wholesale suppliers and the decision to establish the Company's own powerful mobile communications network.

The continuous expansion of its risk management system enables United Internet to limit these risks and other risks to a minimum, where sensible, by implementing specific measures.

Depending on the further share price development of listed United Internet investments in the Group's non-operating business, impairment charges may lead to (non-cash effective) burdens.

Compared to the previous year, the overall risk has risen in total. The main reason is the Company's decision to gradually establish its own powerful mobile communications network, thus also raising value added in the mobile communications business and tapping new business fields. In the assessment of the overall risk situation, the opportunities which exist for United Internet were not taken into consideration. There were no risks which directly jeopardized the continued existence of the United Internet Group in the fiscal year 2019, nor as of the preparation date for this Management Report, neither from individual risk positions nor from the overall risk situation.

The ongoing global spread of the coronavirus (SARS-CoV-2) is increasingly impacting the risk situation of the United Internet Group, for example in the risk areas of "Procurement market" and "Acts of God". Should the virus continue to spread over a longer period, this may also have a negative impact on demand, as well as on the usage and payment behavior of consumers and business owners, the purchase of pre-services (e.g. smartphones, routers, servers or network technology), or the health and fitness of employees, and thus ultimately on the performance of the United Internet Group. A precise risk assessment with regard to the duration and concrete effects of the corona crisis is not possible at present, as the assessments of health experts and political measures are also changing on an almost hourly basis.

Probability of occurrence, potential damage, and the classification of risks from the Group's perspective and their relevance for the various segments/divisions:

	Main segment relevance	Probability of occurrence	Potential damage	Risk classification	Change over previous year
Risks in the field of "Strategy					
Shareholdings & investments	Corporate	High	Low	Moderate	unchanged
Business development & innovations	Consumer Access	Low	Extremely high	Significant	worsened
Cooperation & outsourcing	Business Applications	Low	Very low	Low	unchanged
Organizational structure & decision-making	Business Applications	Low	Very low	Low	unchanged
Personnel development & retention	Business Applications	High	Low	Moderate	unchanged
Risks in the field of "Market"					
Sales market & competition	Business Applications	High	High	Moderate	unchanged
Procurement market	Business Applications	Low	Low	Moderate	unchanged
Financial market	Business Applications	Very high	Very low	Low	unchanged
Personnel recruitment	Business Access Business Applications	High	Very low	Low	unchanged
Risks in the field of "Service Provision"					
Work processes	Business Applications	Low	Low	Moderate	unchanged
Information security	Business Applications	Low	Extremely high	Significant	unchanged
Capacity bottlenecks	Business Applications	Low	Very low	Low	unchanged
Projects	Consumer Access	Low	High	Moderate	worsened
Technical plant operation	Business Applications	Low	High	Moderate	unchanged
Risks in the field of "Compliance"					
Data privacy	Consumer Applications Business Applications	High	High	Moderate	unchanged
Misconduct & irregularities	Business Applications	Very low	Very low	Low	unchanged
Legislation & regulation	Business Applications Consumer Applications	Low	High	Moderate	unchanged
Litigation	Consumer Access	Low	Extremely high	Significant	worsened
Tax risks	Business Applications	High	Very low	Low	unchanged
Risks in the field of "Finance					
Financing	Business Applications	Very low	Very low	Low	unchanged
Fraud & credit default	Consumer Access	High	Low	Moderate	unchanged
Liquidity	Business Applications	Low	Very low	Low	unchanged
Risks in the field of "Acts of God"					
Acts of God	Business Access Business Applications	Very low	High	Moderate	unchanged

Legend: improved unchanged worsened

4.2 Opportunity report

Opportunity management

Opportunity management is based on strategic planning and the resulting measures for the development of products and their positioning for various target groups, markets, and countries during the product life cycle.

The Group Management Board, as well as the operative management level of the respective business segments, have the direct responsibility for the early and continuous identification, assessment, and steering of opportunities.

The management team of United Internet AG makes extensive use of detailed evaluations, models, and scenarios on current and future trends regarding sectors, technologies, products, markets/market potential, and competitors in the Group's fields of activity. The potential opportunities identified during these strategic analyses are then examined with regard to the critical success factors and existing external conditions and possibilities of United Internet AG in planning discussions between the Management Board, Supervisory Board, and operational managers before being implemented in the form of specific measures, targets, and milestones.

The progress and success of these measures is continuously monitored by operational management, as well as the managing directors and management board members of the respective companies.

Opportunities for United Internet

United Internet's stable and largely non-cyclical business model ensures predictable revenues and cash flows, thus providing the financial flexibility to grasp opportunities in new business fields and markets – organically or via investments and acquisitions.

Broad strategic positioning in growth markets

In view of its broad positioning in current growth markets, the Company's purely strategic growth opportunities are clearly apparent: universally accessible, permanently available, and increasingly powerful broadband connections are enabling new and more sophisticated cloud applications. From the current perspective, these internet-based programs for home users, freelancers, and small companies are likely to be United Internet's growth drivers over the coming years – both as stand-alone products in the Consumer Applications and Business Applications segments, as well as in combination with landline and mobile access products in our Consumer Access segment.

Participation in market growth

Despite the uncertain macroeconomic conditions, United Internet – as well as many of the sector's leading analysts – expects further progress in those markets of importance to the Company. United Internet is one of the leading players in these markets. At home and abroad. With its highly competitive Access products, its growing portfolio of cloud applications, its strong and specialized brands, its high sales strength, and already established business relationships with millions of private and business customers (cross-selling and up-selling potential), United Internet is also well positioned to participate in the expected market growth of both its business divisions.

Expansion of market positions

United Internet AG is now one of the leaders in many of its business fields. Based on its existing technological know-how, its high level of product and service quality, the widespread popularity of Group brands such as 1&1, GMX or WEB.DE, its business relationships with millions of private and business customers, and its high customer retention ratio, United Internet sees good opportunities to build on its current market shares.

Entry into new business fields

One of United Internet's core competencies is to recognize customer wishes, trends, and thus new markets at an early stage. With its broadly based value chain (from product development and data center operation, to effective marketing, powerful sales organization, and active customer support), United Internet is often faster at placing innovations on the market and – thanks to the high level of cash generation in its existing business fields – capable of providing them with strong marketing support.

When new opportunities appear on the horizon, United Internet is well prepared and also capable of financing many years of cost-intensive preparation thanks to its strong cash generation in existing business fields.

In 2018, for example, United Internet established the European netID Foundation (EnID) together with the media group RTL Germany and ProSiebenSat.1. The initiative's goal is to establish a European alternative to US providers with the single sign-on product netID. The Foundation has developed an open standard that enables users to access all partner websites of the European netID Foundation using the same login data. The Foundation reviews all standards, partners, and providers of user accounts within the initiative. With the open login standard netID, the Foundation focuses on the data sovereignty of each individual user. With the aid of netID, users can organize their consent to the use of online services via a privacy center which guarantees transparency and compliance with data protection regulations. netID is available to GMX and WEB.DE customers, as well as to customers of other netID partners, with the same log-in data. New users can create a netID account free of charge by using a combination of e-mail address and password. As part of the development of NetID, the United Internet brands GMX and WEB.DE have greatly reduced their ad space on the respective portals and at the same time are driving the expansion of data-driven business models for better advertising monetization.

Own landline infrastructure

Since its acquisition of 1&1 Versatel (2014), United Internet operates its own telecommunications network. With a length of around 48,500 km, it is one of Germany's largest fiber-optic networks. This network infrastructure gives United Internet the opportunity to extend its vertical integration and also gradually reduce its purchases of wholesale broadband services.

In addition, having its own network also offers United Internet the opportunity to systematically expand its B2B data and infrastructure business with SMEs and large corporations. The scale of this opportunity is underlined by the considerable pent-up demand for direct fiber-optic connections in Germany. According to the latest survey of the OECD (Organization for Economic Co-operation and Development) in December 2018, only 3.2% (prior year: 2.3%) of all broadband connections in Germany are fiber-optic connections. Germany thus lags well behind in 32nd place (prior year: 33rd

place) among the 37 OECD countries surveyed, and is also well below the OECD average of 26.0% (prior year: 23.3%).

Access to Telefónica mobile network

Following the merger with Drillisch (2017), United Internet – indirectly via 1&1 Drillisch – is the only MBA MVNO in Germany with a long-term claim to a specific share (rising to 30%) of the used network capacity of Telefónica Germany, and thus has extensive access to one of Germany's largest mobile networks. As a result, United Internet has contractually assured, unrestricted access not only to LTE (4G), but also to all further future technologies such as 5G.

As a consequence of the merger between 1&1 Telecommunication and Drillisch, United Internet can use its coordinated branding and customer targeting to address the German premium and discount segments more precisely, while achieving a high and comprehensive reach among its target groups with its differently positioned brands.

Establishment of own mobile communications network

On June 12, 2019, 1&1 Drillisch successfully completed its participation in the 5G spectrum auction and purchased two frequency blocks of 2 x 5 MHz in the 2 GHz band and five frequency blocks of 10 MHz in the 3.6 GHz band. The total auction price amounted to € 1.07 billion. By acquiring these frequencies, the Company plans to gradually develop its own powerful mobile communications network, to further expand its value added in mobile communications, and to tap new business fields.

With around 10 million mobile and over 4.3 million broadband customers, one of Germany's largest fiber-optic networks, and a leading European position in app development, the United Internet Group is well placed to exploit the tremendous potential of 5G in Germany.

High degree of vertical integration for applications

In its Applications segment, United Internet covers the entire value creation chain. Applications are developed at the Company's own "Internet Factories" or in cooperation with partner firms and operated on around 90,000 servers at the Company's 10 data centers. This enables United Internet to maintain high quality standards and to respond quickly to customer needs and changing market situations in order to win new customers and retain existing ones.

Internationalization

Cloud applications can be used anywhere in the world and work on the same principle in Frankfurt as they do in London, Rome, or New York. In the past, United Internet has already successfully adapted cloud products – such as 1&1 MyWebsite – to various languages and country-specific features and gradually rolled them out in different nations.

Thanks to the high degree of exportability which these products offer, United Internet is already active in its Applications segment in numerous European countries (Germany, Austria, Switzerland, the UK, France, Spain, Italy, Poland, and the Netherlands), as well as in North America (USA, Canada, and Mexico). Further countries and product roll-outs will gradually follow.

Acquisitions and investments

In addition to organic growth, United Internet also constantly examines the possibility of company acquisitions and strategic investments. Thanks to its high and plannable level of free cash flow, United Internet also has a strong source of internal funding and good access to debt financing markets in order to utilize opportunities in the form of acquisitions and investments.

United Internet has enhanced its market standing in Germany and abroad, for example, by making several acquisitions and strategic investments while gaining considerable expertise in the field of mergers and acquisitions (M&A) and company integration.

The most important M&A activities of the past include the acquisition of WEB.DE's portal business (in 2005), the acquisitions of Fasthosts (2006) and united-domains (2008), the acquisition of freenet's broadband business (2009), and the acquisitions of mail.com (2010), Arsys (2013), Versatel (2014; now 1&1 Versatel), home.pl (2015), Strato (2017), ProfitBricks (2017; now IONOS Cloud), Drillisch (2017; now 1&1 Drillisch), and World4You (2018). The most important strategic investments include the investments in Open-Xchange (2013), ePages (2014), uberall (2014), Tele Columbus (2016), rankingCoach (2017), and Awin (2017 via the contribution of affilinet).

4.3 Forecast report

Expectations for the economy

In its global economic outlook published in January 2020, the International Monetary Fund (IMF) updated its forecasts for the development of the global economies in 2020 and 2021. All in all, the IMF expects the **global economy** to recover in the current and following year with global growth of 3.3% and 3.4% in the years 2020 and 2021 – compared to 2.9% in 2019.

The IMF is thus more optimistic than other experts, although it remains slightly more pessimistic than in its own forecast of October 2019. The Fund justifies its cautious optimism with the de-escalation of the trade dispute between the USA and China, the strengthening of consumer spending due to the ongoing expansionary monetary policy of the central banks, and the fact that a disorderly exit from the EU by the UK government is currently less likely again. At the same time, however, the IMF points to numerous risks, such as a renewed escalation of the trade dispute, or geopolitical tensions such as those between the USA and Iran. Anti-government protests such as those in Chile could also be detrimental to the economy.

The latest IMF forecasts for United Internet's target markets in North America (the USA, Canada, and Mexico) are as follows: following growth of 2.3% in 2019, the **US economy** is expected to grow by just 2.0% in 2020 and by 1.7% in 2021. The **Canadian economy** is expected to grow by 1.8% in both 2020 and 2021 – following growth of 1.5% in 2019. The economy in **Mexico** is also expected to grow again, by 1.0% in 2020 and 1.6% in 2021, following a year of stagnation in 2019.

The IMF anticipates stronger growth of 1.3% and 1.4% in the **eurozone** in 2020 and 2021 – following growth of 1.2% in 2019.

The IMF expects diverging economic trends in United Internet's main European markets (France, Spain, Italy, and the non-euro country UK): following growth of 1.3% in 2019, the IMF forecasts a further increase of 1.3% in both 2020 and 2021 for **France**. Growth in **Spain** is expected to reach just 1.6% in 2020 and 2021, compared to growth of 2.0% in 2019. The IMF forecasts growth in **Italy** of 0.5% and 0.7% in 2020 and 2021, following growth of 0.2% in 2019. And after growing by 1.3% in 2019, the IMF forecasts growth for the **UK** of 1.4% and 1.5% in 2020 and 2021.

For United Internet's most important market, **Germany**, the IMF forecasts economic growth of 1.1% in 2020 and 1.4% in 2021 – following 0.5% in 2019. With expected growth of 1.1% for 2020, the IMF is in line with the German government's own forecast of 1.1% growth in price-adjusted GDP, as published in its Annual Economic Report 2020.

Market forecast: GDP development of most important economies for United Internet

	2021e	2020e	2019
World	3.4%	3.3%	2.9%
USA	1.7%	2.0%	2.3%
Canada	1.8%	1.8%	1.5%
Mexico	1.6%	1.0%	0.0%
Eurozone	1.4%	1.3%	1.2%
France	1.3%	1.3%	1.3%
Spain	1.6%	1.6%	2.0%
Italy	0.7%	0.5%	0.2%
UK	1.5%	1.4%	1.3%
Germany	1.4%	1.1%	0.5%

Source: International Monetary Fund, World Economic Outlook (Update), January 2020

Sector/market expectations

The industry association Bitkom expects the **ICT market in Germany** to grow by 1.5% (prior year: +2.0%) to € 172.2 billion in 2020.

With an increase of 2.7% (prior year: + 2.9%) to € 95.4 billion, the **IT market** is expected to show the strongest growth again in 2020. Within this sector, growth in the software segment will once again be the fastest with an increase of 6.4% (prior year: +6.3%) to € 27.6 billion. IT services – which include project business and IT consulting – are also expected to reach growth of 2.4% again (prior year: +2.4%) to € 41.9 billion. By contrast, the IT hardware segment is expected to decline by 0.4% (prior year: +0.5%) to € 25.9 billion.

A further strong decline of 7.0% (prior year: -7.7%) to € 8.0 billion is forecast for sales of **consumer electronics**.

The most important ICT markets for United Internet's business model are the German telecommunications market (broadband connections and mobile internet) for its mostly subscription-financed Access division, and the global cloud computing and German online advertising markets for its subscription- and ad-financed Applications division.

Telecommunications market in Germany

The industry association Bitkom forecasts further growth for the German telecommunications market in 2020. Sales are expected to grow by 1.0% (prior year: 2.0%) to € 68.8 billion.

Slight growth of 0.4% (prior year: 0.0%) to € 48.8 billion is anticipated for telecommunication services. Sales of TC devices are set to grow by 2.5% (prior year: 11.1%) to € 12.8 billion, while the telecommunication infrastructure business is forecast to grow by 2.0% (prior year: + 1.5%) to € 7.2 billion.

Market forecast: telecommunications market in Germany

in € billion	2020e	2019	Change
Sales	68.8	68.1	+ 1.0%

Source: Bitkom, Annual press conference, January 2020

Global cloud computing market

In an update of its study "Forecast Analysis: Public Cloud Services, Worldwide", Gartner forecasts global growth for public cloud services of 16.9% (prior year: 15.8%), from $ 227.80 billion to $ 266.36 billion in 2020.

Market forecast: global cloud computing

in $ billion	2020e	2019	Change
Global sales of public cloud services	266.36	227.80	+ 16.9%
thereof Application Infrastructure Services (PaaS)	39.69	32.23	+ 23.1%
thereof Application Services (SaaS)	115.97	99.53	+ 16.5%
thereof System Infrastructure Services (IaaS)	49.99	40.32	+ 24.0%
thereof Management and Security Services	13.85	12.03	+ 15.1%
thereof Business Process Services (BPaaS)	46.86	43.69	+ 7.3%

Source: Gartner, November 2019

Online advertising market in Germany

Advertisers continued to display a strong willingness to invest in online advertising activities in 2019. And experts forecast further growth for 2020. PricewaterhouseCoopers expects an increase of 6.6% (prior year: 6.9%) to € 9.07 billion. The strongest growth is expected for mobile online advertising and video advertising with increases of 22.7% and 10.1%, respectively.

Market forecast: online advertising in Germany

in € billion	2020e	2019	Change
Online advertising revenues	9.07	8.51	+ 6.6%
thereof search marketing	4.02	3.86	+ 4.1%
thereof display advertising	1.69	1.66	+ 1.8%
thereof mobile online advertising	1.57	1.28	+ 22.7%
thereof affiliate / classifieds	1.03	1.02	+ 1.0%
thereof video advertising	0.76	0.69	+ 10.1%

Source: PricewaterhouseCoopers, German Entertainment and Media Outlook 2019 – 2023, October 2019

Expectations for the Company in 2020

Forecast for the fiscal year 2020

Against the backdrop of uncertain macroeconomic conditions due to the growing spread of the coronavirus (see comments in sections 4.1 "Risk Report" and 3 "Subsequent Events"), United Internet expects sales and EBITDA in the fiscal year 2020 to be approximately on a par with the previous year. This forecast is subject to considerable uncertainty, as an exact assessment of the duration and impact of the corona crisis is not currently possible.

Due to its role as a holding company, the earnings of United Internet AG at **parent company level** are mainly influenced by its investment result (profit transfers and dividends) and the interest result. Against this backdrop, the Management Board expects strongly positive net income for fiscal year 2020 (subject to possible special items).

United Internet AG intends to maintain its shareholder-friendly **dividend policy** based on continuity in the coming years. Dividend payouts will continue to represent approx. 20-40% of adjusted net income from continued operations after minority interests (adjusted net income attributable to "shareholders of United Internet AG" – according to the consolidated statement of comprehensive income) in the future. The prerequisite, however, is that funds are not required for further Company development.

Management Board's overall statement on the anticipated development

The Management Board of United Internet AG is upbeat about its prospects for the future. Thanks to a business model based predominantly on electronic subscriptions, United Internet believes it is largely stable enough to withstand cyclical influences. And with the investments made over the past few years in customer relationships, new business fields and internationalization, as well as via acquisitions and investments, the Company has laid a broad foundation for its planned future growth.

United Internet will continue to pursue this sustainable business policy in the coming years.

- In the Consumer Access segment, the main focus in 2020 will be on marketing mobile internet products and winning high-quality customer relationships. The Company also plans to leverage the strong positioning of its broadband products to generate further growth.

- In the Business Access segment, the Company's own fiber-optic network is to be expanded in 2020 with the connection of further locations. Activities for business and wholesale customers will also be expanded.

- In fiscal year 2020, the key topics in the Consumer Applications segment will again be the repositioning and revamping of the GMX and WEB.DE portals (including the associated reduction in ad space), as well as the concurrent establishment of data-driven business models.

- In the Business Applications segment, the focus will continue to be on expanding business with existing customers and gaining new high-quality customer relationships in 2020.

Following a successful start to the year (at the time of preparing this Management Report), the Company's Management Board believes that the Company is on track to reach the forecast presented above in the section "Forecast for the fiscal year 2020".

Forward-looking statements

This Management Report contains forward-looking statements based on current expectations, assumptions, and projections of the Management Board of United Internet AG and currently available information. These forward-looking statements are subject to various risks and uncertainties and are based upon expectations, assumptions, and projections that may not prove to be accurate. United Internet AG does not guarantee that these forward-looking statements will prove to be accurate and does not accept any obligation, nor have the intention, to adjust or update the forward-looking statements contained in this report.

5. ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In accordance with section 289 (4) and section 315 (4) German Commercial Code (HGB), United Internet AG is obliged to describe the main features of its accounting-related internal control and risk management system in its Management Report.

United Internet AG regards risk management as part of its internal control system (ICS). The ICS is understood as an ongoing process comprising organizational, controlling, and monitoring structures to ensure permanent compliance with legal and corporate requirements.

The Management Board of United Internet AG is responsible for the scope and structure of its ICS and takes account of the Company's specific requirements. The monitoring of the ICS's effectiveness is one of the duties of the Supervisory Board of United Internet AG, which is regularly informed by the Management Board about the status of the ICS and the findings of the Company's Internal Audit system. Within the United Internet Group, the Corporate Audit department is responsible for independently auditing the appropriateness, effectiveness, and functionality of the ICS and has been granted extensive rights with regard to information, examination, and access in order to exercise its duties. Its audits are based on a risk-oriented audit plan which also includes regular audits of subsidiaries. In addition, the Corporate Audit department conducts fundamental audits regarding the proper functioning of important asset and inventory stock-taking. In addition, those areas of ICS of relevance for financial reporting are audited with regard to efficiency by the external auditors as part of their risk-oriented audit approach.

The accounting-related ICS is continuously being developed and comprises principles, procedures, and measures to secure the effectiveness, economic efficiency, and compliance of the accounting system and to ensure that the relevant laws and standards are observed. During preparation of the Consolidated Financial Statements, the ICS is used in particular to ensure the application of International Financial Reporting Standards (IFRS), as endorsed by the European Union, and the additional provisions under commercial law pursuant to section 315e of the German Commercial Code (HGB). When preparing the Annual Financial Statements and Management Report, the ICS also helps ensure that regulations under commercial law are observed.

However, a fundamental aspect of every ICS, irrespective of its particular design, is that it cannot provide absolute safety that material misstatements in accounting are avoided or detected. This may be due, for example, to incorrect discretionary decisions of individuals, faulty controls, or criminal acts.

The following statements refer solely to the fully consolidated subsidiaries included in the Annual Financial Statements of United Internet AG, for which United Internet AG has the direct or indirect possibility of determining their financial and monetary policy in order to derive a benefit from the activity of these companies.

The task of United Internet AG's risk management system includes setting measures to detect and assess risks, reduce them to an acceptable level, and monitor recognized risks. A risk management system requires organized action to deal suitably with uncertainty and threats and urges employees to utilize the regulations and instruments required to ensure compliance with the risk management principles. In addition to operative risk management, it also includes the systematic early recognition, management, and monitoring of risks. The accounting-related risk management system focuses on the risk of false statements in accounting and external reporting.

Specific accounting-related risks may arise, for example, from the conclusion of unusual or complex transactions. Business transactions which cannot be processed in a routine manner are also exposed to latent risks. It is necessary to grant a limited circle of people certain scope for discretion in the recognition and measurement of assets and liabilities, which may result in further accounting-related risks.

The accounting-related ICS comprises internal controls, defined on the basis of risk aspects, for those processes which are relevant for financial reporting as well as those processes that support the IT systems. Special emphasis is placed on IT security, change management, and operational IT processes. Organizational, preventive, and detective controls are applied, which can be conducted manually or with the aid of IT. The effectiveness and efficiency of the accounting-related ICS requires highly developed employee skills. Regular training, the "four-eye principle", and the functional separation of administrative, executive, and approval processes are indispensable for the United Internet Group. The Corporate Accounting division and other accounting departments are responsible for the management of the accounting processes. Laws, accounting standards, and other pronouncements are continuously analyzed with regard to their relevance and impact on accounting. The Group companies are responsible for the orderly and timely execution of the accounting-related processes and systems and are supported by the accounting departments accordingly.

If significant control weaknesses or opportunities for improvement are detected, they are assessed and countermeasures are developed with the persons responsible to improve the effectiveness of the ICS. Implementation of the measures is monitored by the Corporate Audit department and may be the subject of subsequent audits. In order to ensure the high quality of the accounting-related ICS, the Corporate Audit department is closely involved during all stages.

6. DISCLOSURES REQUIRED BY TAKEOVER LAW

The following disclosures according to sections 289a and 315a German Commercial Code (HGB) represent conditions as of the balance sheet date. As required by section 176 (1) sentence 1 AktG, the disclosures are explained in the sections below.

Composition of capital

The subscribed capital of United Internet AG as of December 31, 2019 amounts to € 205,000,000 divided into 205,000,000 no-par value, registered shares. Each share entitles the owner to one vote. There are no other share categories. In the case of a capital increase, the commencement of dividend entitlement for new shares may be determined separately from the moment of contribution. All shares are listed on the stock exchange.

Limitations affecting voting rights or the transfer of shares

There are legal limitations affecting voting rights of certain shares pursuant to section 71b AktG and section 71d S. 4 in conjunction with section 71b AktG. As of the balance sheet date, United Internet holds 17,338,513 treasury shares representing 8.46% of capital stock.

There are also legal limitations affecting voting rights regarding a conflict of interests pursuant to section 136 (1) AktG for shares held by the Management Board and Supervisory Board.

Among the members of the Management Board, Mr. Ralph Dommermuth held 82,500,000 shares of United Internet AG (40.24% of capital stock) as of December 31, 2019. Moreover, Mr. Frank Krause held 5,482 shares (0.00% of capital stock).

As of December 31, 2019, no members of the Supervisory Board held shares in United Internet AG.

There are no limitations affecting the transfer of shares.

Direct and indirect participations in capital with over 10% of voting rights

On December 31, 2019, the Company's CEO, Mr. Ralph Dommermuth, residing in Germany, held 82,500,000 shares or 40.24% of the 205,000,000 shares in United Internet AG. The Management Board is not aware of further participations in capital exceeding 10% of voting rights.

Special rights

Mr. Ralph Dommermuth is personally entitled to nominate a member of the Supervisory Board. This right is exercised by naming a person for the Supervisory Board to the Company's Management Board. The nomination becomes effective as soon as the nominated person declares his acceptance of the Supervisory Board seat to the Management Board. A requirement for the aforementioned nomination right is that Mr. Ralph Dommermuth holds shares himself or via affiliated companies pursuant to section 15ff. German Stock Corporation Law (AktG) representing at least 25% of the

Company’s voting capital and can prove as much to the Management Board on nomination of the Supervisory Board member by providing depository account statements or similar documents. Mr. Dommermuth has so far not made use of this nomination right. The Management Board is not aware of any further shares with special rights.

Appointment and dismissal of Management Board members, amendments to Company articles

The appointment and dismissal of Management Board members is determined by sections 84, 85 AktG in conjunction with section 1 of the rules of procedure for the Supervisory Board. According to section 6 (1) of the Company’s articles, the Management Board consists of at least one person. The Supervisory Board appoints and dismisses the members of the Management Board, determines their number and can appoint one member of the Management Board as Chairman.

Each amendment of the Company’s articles requires the adoption of a shareholders’ meeting resolution with a majority of at least three quarters of capital represented at the vote. Pursuant to section 22 of the Company’s articles in conjunction with section 179 (1) sentence 2 AktG (Changes in capital stock and number of shares), the Supervisory Board is authorized to make amendments to the Company’s articles insofar as they only concern formulation.

Powers of the Management Board to issue new shares

The Management Board is entitled to issue new shares under the following circumstances:

The Management Board is authorized, subject to approval by the Company’s Supervisory Board, to increase the Company’s capital stock on one or more occasions before May 20, 2020 by a total of € 102,500,000.00 by issuing new no-par shares for cash and/or non-cash contributions (Authorized Capital 2015). The Management Board is also authorized, in certain cases stated in section 5.4 of the Company’s articles, to exclude the statutory right of shareholders to subscribe to new shares. This applies in particular in the case of fractional amounts and when granting subscription rights for new shares to bearers of warrants, convertible bonds, or warrant bonds. The Management Board is also authorized, subject to the approval of the Supervisory Board, to restrict subscription rights in the case that the issue price of the new shares is not substantially lower than the quoted market price and the issued shares do not exceed in total 10% of capital stock. The Management Board is authorized, subject to the approval of the Supervisory Board, to exclude subscription rights in the case of a capital increase in return for non-cash contributions, especially in connection with the acquisition of companies, investments, or assets.

Capital stock has been conditionally increased by up to a further € 25,000,000.00, divided into 25,000,000 no-par shares (Conditional Capital 2015). The conditional capital increase is earmarked for shares to be granted to bearers or holders of warrant or convertible bonds, which the shareholders’ meeting on May 21, 2015 authorized the Company or a subordinated Group company to issue in the period ending May 20, 2020, providing the issue is in return for cash and no cash settlement is granted or the warrant or convertible bonds are serviced from the stock of treasury shares or approved capital.

Powers of the Management Board to buy and use treasury shares

The Annual Shareholders' Meeting of May 18, 2017 issued a new authorization limited to September 18, 2020 and pursuant to section 71 (1) number 8 AktG, to acquire, sell or otherwise use or cancel treasury shares.

The Management Board was authorized, for every permissible purpose within the scope of legal restrictions, to purchase treasury shares in the amount of up to ten percent of the current capital stock (or if this value is lower, the existing capital stock at the time the stated authorization was implemented). The Company may implement the authorization for the pursuit of one or more purposes. It can also be exercised by dependent or majority-owned corporations of the Company or by third parties for the Company's or their own account. At no point in time may more than ten percent of capital stock be accounted for by the respective purchased treasury shares in combination with other treasury shares held by the Company or attributable to it pursuant to section 71a et seq. AktG. The authorization may not be used for the purposes of trading with Company shares.

The purchase of treasury shares is made at the discretion of the Management Board by way of repurchase via the stock exchange and/or (bb) by means of a public purchase offer issued to all shareholders.

- In the event of a purchase through the stock exchange, the counter value for the purchase of United Internet shares (without ancillary purchase costs) may not exceed, or fall below, ten percent of the Company's average share price, as listed on the last five trading days preceding the due date in the closing auction of the Frankfurt stock exchange's XETRA trading system (or any functionally equivalent successor of the XETRA system). The due date is deemed to be the day on which an obligation to purchase is incurred.

- When acquiring treasury shares by way of a public purchase offer to all shareholders, the Company may publish an offer aimed at all shareholders or publicly request the submission of offers. The exclusion and/or limitation of the shareholder`s right to tender requires a Management Board resolution and consent of the Supervisory Board.

In addition to a sale via the stock exchange or in another manner that ensures the equal treatment of all shareholders, the Management Board is also authorized, subject to the approval of the Supervisory Board, to use the treasury shares purchased based on this or any prior authorizations, pursuant to section 71 (1) number 8 AktG, for the following purposes:

- Sale for cash consideration that is not significantly below the Company's share price listed on the stock exchange at the time of sale (without ancillary purchase costs). The Company's XETRA opening share price (or one of any functionally equivalent successor to the XETRA system) on the Frankfurt Stock Exchange on the day when the United Internet shares are sold is considered as the significant stock market price in terms of the above sales rule. This authorization, however, shall only apply on condition that this is a proportional amount of no more than ten percent, or if this value is lower, of the existing capital stock accounted for by the total sold shares when this authorization is implemented. Those shares with a subscription right which was excluded, by the direct or corresponding application of section 186 (3) sentence 4 AktG, for this authorization's duration at the same time should be counted toward the above-stated maximum threshold.

- Sale for payment in kind, particularly within the scope of the direct or indirect purchase of companies, parts of a company or equity shares therein, or other assets including receivables from the company, or entitlements to purchase assets, or as part of corporate combinations as a (partial) consideration.

- The granting of treasury shares as part of remuneration and/or employee stock ownership programs by which United Internet offers or transfers shares to United Internet AG Management Board members and/or to individuals who are in an employment relationship with the Company or with one of its current or former affiliates and/or management board members of corporations affiliated with the Company. Insofar as United Internet shares are to be transferred to members of the Company's Management Board, the decision on this shall be incumbent upon the Company's Supervisory Board.

- The fulfilment of conversion or option rights and/or conversion obligations stemming from convertible bonds or warrant bonds issued by the Company or by corporations which are controlled or majority held by the Company.

- Whole or partial cancellation without any further resolution of the Annual Shareholders' Meeting. The Management Board is authorized, subject to the approval of the Supervisory Board, to reduce the Company's capital stock by the capital stock proportion attributable to the redeemed shares. Subject to the approval of the Supervisory Board, the Management Board may determine, in derogation herefrom, that the capital stock shall remain unchanged upon cancellation and that instead, by way of cancellation, the proportional ratio of remaining shares to the capital stock shall increase. The Supervisory Board is authorized to amend section 5 of the Company's by-laws in accordance with the respective utilization of its authorization to cancel shares.

The right of shareholders to subscribe to United Internet shares shall be excluded to the extent that these shares are used in accordance with the above authorizations. Furthermore, the Management Board may, with the approval of the Supervisory Board, exclude the subscription right of shareholders for fractional amounts, in the event of a disposal of treasury shares by way of an offer to all shareholders.

The authorization to purchase, sell, or otherwise use, or cancel treasury shares, may be exercised independently of one another, on a one-off basis or multiple times, in whole or in part.

Material agreements conditional to a change of control following a takeover bid

A bank consortium has granted United Internet AG a syndicated loan facility of € 810 million and a syndicated loan of € 200 million until January 2025. The members of the consortium were granted the right to terminate their share of the syndicated loan facility or the syndicated loan if a third party or a group of third parties acting in concert acquired a majority of the shares in United Internet AG or held the majority of voting shares at an Annual Shareholders' Meeting of the Company. The right of termination is available to each member of the bank consortium individually within 30 days of the announcement of the change of control by the Company. However, this right of termination does not apply if the majority of shares or voting rights at an Annual Shareholders' Meeting are acquired by Mr. Ralph Dommermuth or his direct relatives.

Furthermore, several promissory note loans of United Internet AG totaling € 835.5 million are outstanding as of the reporting date. The lenders of the promissory notes were granted the right to terminate their share of the respective promissory note loans if a third party or a group of third parties acting in concert acquired a majority interest in United Internet AG. The right of termination is available to each lender individually within 30 days of the announcement of the change of control by the Company. However, this right of termination does not apply if the majority of the shares are acquired by Mr. Ralph Dommermuth.

Compensation agreements in the event of a change of control following a takeover bid

No compensation agreements have been concluded with members of the Management Board or employees of the Company in the event of a change of control following a takeover bid.

7. DECLARATION ON COMPANY MANAGEMENT / CORPORATE GOVERNANCE REPORT

As a German public company listed on the stock exchange, the management of United Internet AG is primarily determined by the German Stock Corporation Act (AktG) and the rules of the German Corporate Governance Code (the "Code").

The term Corporate Governance stands for responsible corporate management and control geared to long-term value creation. Efficient cooperation between Management Board and Supervisory Board, respect for stockholder interests, openness and transparency of corporate communications are key aspects of good corporate governance.

The Management Board and Supervisory Board of United Internet AG regard it as their duty to secure the Company's continued existence and sustainable value creation through responsible corporate governance focused on the long term.

The following report contains the "Declaration on company management", in accordance with section 289f HGB for the parent company and in accordance with section 315d HGB for the Group, as well as the "Corporate Governance Report" of the Management Board and Supervisory Board pursuant to section 3.10 of the Code.

Management and corporate structure

In accordance with its legal status, United Internet AG operates a dual management and monitoring structure comprising two corporate bodies: the Management Board and the Supervisory Board. The third body is the Shareholders' Meeting. All three bodies are committed to serving the Company's interests.

Supervisory Board

Working procedures of the Supervisory Board

The Supervisory Board is elected by the Annual Shareholders' Meeting and consisted of three members in fiscal year 2019. The members of the Supervisory Board are generally elected for a period of five years.

In accordance with German law, the Company's articles, its rules of procedure, and the corresponding recommendations of the Code – unless deviations are declared pursuant to section 161 AktG – the Supervisory Board is in regular contact with the Management Board and monitors and advises it with regard to the management of business, and the Company's risk and opportunity management system.

The Supervisory Board meets at regular intervals to discuss with the Management Board all matters of relevance to the Company regarding strategy and its implementation, as well as planning, the development of business, the risk position, risk management, and compliance. Together with the Management Board, it discusses the quarterly statements and half-year reports before publication and approves annual budgets. It examines the Annual Financial Statements of the parent company and the Group and adopts them if it has no reservations. In doing so, it also takes the reports of the Company's external auditors into account.

The Supervisory Board's responsibilities also include appointing members of the Management Board, as well as determining and regularly monitoring their remuneration in compliance with the latest legal regulations and recommendations of the Code – unless deviations are declared pursuant to section 161 AktG.

The Supervisory Board conducts regular tests to assess its own efficiency.

The members of the Supervisory Board complete the training and further education measures required for their tasks on their own, but receive appropriate support in this context from the Company.

The Supervisory Board is convened at least once every quarter of a calendar year.

Supervisory Board meetings are convened in writing by its Chairman at least 14 days in advance.

With meetings are convened, the Supervisory Board members are informed of the agenda items. If an agenda item has not been properly announced, a resolution concerning it may only be adopted if no Supervisory Board member objects prior to the vote.

Resolutions of the Supervisory Board are generally adopted at meetings. Meetings are chaired by the Chairman of the Supervisory Board. If so arranged by the Chairman, resolutions may also be adopted outside of meetings by other means, for example by phone or e-mail, if no member objects to this procedure.

The Supervisory Board has a quorum if all three members have been officially invited and participate in the resolution. A member shall also be deemed to participate in a resolution if he abstains from voting.

Unless the law prescribes otherwise, resolutions of the Supervisory Board are adopted with a simple majority.

Minutes are kept of the Supervisory Board's discussions and resolutions.

The Chairman of the Supervisory Board is authorized to submit on behalf of the Supervisory Board the declarations of intent required for the implementation of the Supervisory Board's resolutions.

Targets for the composition of the Supervisory Board / status of implementation

The Company's Supervisory Board aims to achieve a composition of the Supervisory Board that enables qualified supervision and advice for the Company's Management Board.

In view of

- the size of the Supervisory Board (three members),
- the business in which the Company operates,

- the size and structure of the Company,
- the scope of the Company's international activities, and
- its current shareholder structure,

the Company's Supervisory Board has adopted the following targets for its future composition. These take into account the statutory requirements both with regard to the requirements placed on individual Supervisory Board members and with regard to the composition of the entire Supervisory Board and – unless expressly stated otherwise – the requirements of the Code. In particular, a skills profile is planned with regard to the overall body.

The Supervisory Board will take these targets into account in the case of nomination proposals and make sure that the candidates meet the respective requirements. The specific situation of the Company must be taken into consideration.

Requirements for individual members

The Company's Supervisory Board aims to ensure that each Supervisory Board member meets the following requirements:

General requirement profile
Each member of the Supervisory Board should have the requisite knowledge and experience to enable them to carefully monitor and advise the Company and to assess any risks for the Company's business. Moreover, the Supervisory Board will ensure that all its members have a personal profile that enables them to maintain the Company's public reputation.

Time availability
All members of the Supervisory Board must have sufficient time to exercise their duties with due care throughout the entire period of office. In particular, the members of the Supervisory Board should observe the legal requirements and those of the Code regarding the permissible number of Supervisory Board mandates.

Conflicts of interest
Supervisory Board members should not engage in any other activities likely to cause frequent conflicts of interest. These include management positions with key competitors.

Age limit for Supervisory Board members
As a rule, members of the Supervisory Board should not have reached the age of 70 at the time of their election or re-election.

No regular limit for duration of membership
There is no standard time limit to membership of the Supervisory Board – a recommendation of the current Code – as the Supervisory Board believes that such a restriction is inappropriate compared to other criteria for nominating Supervisory Board members, and that it is ultimately at the discretion of the Annual Shareholders' Meeting to elect those candidates to the Supervisory Board whom they believe are best suited to represent their interests.

Requirements regarding the composition of the Supervisory Board as a whole

In addition to the individual requirements for Supervisory Board members, the Company's Supervisory Board aims to ensure that the Supervisory Board as a whole meets the following requirements:

Skills profile for the Supervisory Board as a whole
The members of the Supervisory Board must collectively have the knowledge, skills, and professional experience necessary for them to carry out their tasks as required. The Supervisory Board strives to ensure that the Supervisory Board as a whole covers the widest possible range of knowledge and experience relevant to the Company, and in particular meets the following requirements:

- In-depth knowledge and experience of the telecommunications and internet sector;
- Expertise or experience from other sectors of the economy;
- Entrepreneurial or operational experience;
- At least one member with several years of experience working abroad or working for a company with international activities;
- At least one member with special knowledge and experience in the application of accounting principles and internal control processes;
- In-depth knowledge and experience of controlling and risk management;
- In-depth knowledge and experience in the field of governance and compliance.

Diversity
The Supervisory Board aims to ensure that the Supervisory Board is composed of a wide variety of members so that the Supervisory Board as a whole has sufficient diversity of opinion and knowledge. In its nominations, the Supervisory Board will take into account the diversity concept established by the Company.

Independence
The Supervisory Board aims to ensure that at least two of its three members are independent within the meaning of the criteria set out in section 5.4.2 of the Code.

Current composition of the Supervisory Board/implementation status

The Company's Supervisory Board is of the opinion that the stated targets for the composition of the Supervisory Board are currently fulfilled. The Supervisory Board re-elected by the Annual Shareholders' Meeting 2015 continued to comprise the following three independent members – as defined by the criteria of section 5.4.2 of the Code – in fiscal year 2019:

- Kurt Dobitsch, chair
- Michael Scheeren, deputy chair
- Kai-Uwe Ricke

Subject to the formation of short fiscal years, the current term of office of the Supervisory Board members ends on expiry of the Annual Shareholders' Meeting of the year 2020.

Management Board

Working procedures of the Management Board

The Management Board is the body charged with managing the Group's operations. In fiscal year 2019, it consisted of two persons. The Management Board conducts operations in accordance with its legal and statutory obligations, as well as the rules of procedure approved by the Supervisory Board, and the corresponding recommendations of the Code – unless deviations are declared pursuant to section 161 AktG.

It is responsible for preparing the Interim and Annual Financial Statements as well as for appointing key managers within the Company.

Decisions of fundamental importance require the approval of the Supervisory Board. The Management Board reports to the Supervisory Board in accordance with the statutory provisions of section 90 AktG and provides the Chairman of the Supervisory Board at least once a month with an oral overview – and at the request of the Chairman of the Supervisory Board also in writing – of the current status of relevant reporting items pursuant to section 90a AktG. The Chairman of the Supervisory Board is thus informed without delay by the Chairman or Speaker of the Management Board, or the Chief Financial Officer, about important events that are essential for assessing the Company's situation and development, as well as for the management of the Company. Important items also include any substantial deviation from the budget or other forecasts of the Company. The Chairman or Speaker of the Management Board, or Chief Financial Officer, shall also inform the Chairman of the Supervisory Board, in advance where possible otherwise immediately thereafter, about all ad hoc announcements of the Company pursuant to Art. 17 MAR.

There is also an age limit of 70 for members of the Management Board. This requirement is also currently complied with in full.

The Management Board conducts the Company's business with joint responsibility and according to common objectives, plans, and policies. Irrespective of the joint responsibility of the Management Board, each member bears responsibility for his assigned division, but is required to subordinate the interests of his assigned division to the overall good of the Company.

The full Executive Board regulates the division of responsibilities in a business distribution plan.

The Management Board members inform each other about important events within their divisions. Matters of greater importance which are not approved in the budget must be discussed and decided by at least two Management Board members, whereby one of the two Management Board members must be responsible for the Finance division.

Irrespective of their areas of responsibility, all Management Board members constantly monitor those data which are crucial for the Company's business development so they are always able to help avert potential disadvantages, or implement desirable improvements and expedient changes by drawing them to the attention of the full Management Board.

The full Management Board resolves on all matters of particular importance and scope for the Company or its subsidiaries and investment companies.

Resolutions are adopted by the full Management Board with a simple majority. Should the vote result in a tie, the Chairman of the Management Board has a casting vote. The resolutions of the Management Board are recorded in the minutes.

The full Management Board meets regularly once a month and otherwise as required.

Each Management Board member immediately discloses any conflict of interest to the Supervisory Board.

Current composition of the Management Board

The Management Board of United Internet AG comprised the following two members in fiscal year 2019:

- Ralph Dommermuth, Company founder and Chief Executive Officer
  (with the Company since 1988)

- Frank Krause, Chief Financial Officer
  (with the Company since 2015)

Targets for the share of women on the Supervisory Board, Management Board, and in management positions / implementation status

The "Law on Equal Participation of Men and Women in Private-Sector and Public-Sector Management Positions" (FührposGleichberG) of April 24, 2015 resulted in amendments to the German Stock Corporation Law and a number of other laws.

The new legislation has led to the following obligations in particular for United Internet AG:

- setting of targets by the Supervisory Board for the share of women on the Supervisory Board of United Internet AG

- setting of targets by the Supervisory Board for the share of women on the Management Board of United Internet AG

- setting of targets by the Management Board for the share of women on the first and second management levels below the Management Board of United Internet AG

The first targets had to be set by September 30, 2015 for a period ending no later than June 30, 2017, during which time the targets should be met. The following targets are to be set for a period of no more than five years.

After careful examination, the Supervisory Board and Management Board of United Internet AG adopted the following based on a resolution of May 18, 2017:

- The Supervisory Board sets the deadline for the attainment of the targets for the share of women on the Supervisory Board and Management Board as the expiry of the Annual Shareholders' Meeting that decides on the discharge of the Supervisory Board for the fiscal year 2019 (probably May 2020). The Supervisory Board is to be re-elected at this Annual Shareholders' Meeting.

- A target of "0" is set for the Supervisory Board. The Supervisory Board currently comprises only men. No personnel changes or expansion of the Supervisory Board are planned or envisaged.

- A target of "0" is set for the Management Board. The Management Board also currently comprises only men. No personnel changes or expansion of the Management Board are planned or envisaged. The Supervisory Board believes that the government's aim to raise the share of women is subordinate to the interests of the Company to continue the successful work conducted by experienced Management Board members and a Management Board size which is tailored to the needs of the Company.

- With regard to the share of women on the Supervisory Board and Management Board, the Supervisory Board reserves the right to resolve again on the target within the deadline period for attainment should there be any indication of a new appointment.

No target was set for the first and second management levels as United Internet AG does not have any management levels below the Management Board due to its holding structure.

The Supervisory Board and Management Board of United Internet AG regard the above mentioned targets as fulfilled without exemption at present.

Diversity concept (sections 289f (2) number 6, 315d HGB)

The Company aims to ensure that the Management Board and Supervisory Board are composed of many different types of people and that the bodies as a whole have a sufficiently wide variety of opinions and knowledge.

In particular, the following criteria should be taken into account:

- The members of the Management Board and Supervisory Board should complement each other within their respective committees with regard to their experience, education, and professional background in order to develop a good understanding of the current status and the longer term opportunities and risks associated with the Company's business activities.

- For the reference period up to the expiry of the Annual Shareholders' Meeting that decides on the discharge of the Supervisory Board for the fiscal year 2019 (probably May 2020), the Management Board and Supervisory Board have each set a target value of "0" for the share of women, since at present both bodies are composed exclusively of men. In principle, however, both sexes should be treated equally on the basis of their qualifications, and in the case of new appointments the aim is to achieve a balanced composition of the Management Board and Supervisory Board.

- With the exception of an age limit of 70, no differentiation is made according to age for the members of the Management Board and Supervisory Board, and the sole differentiation should be according to the required knowledge and experience.

- In view of the current size of the Management Board and Supervisory Board, consisting of just two and three members respectively, no targets have been set with regard to geographical origin. In order to ensure international experience, the Supervisory Board already stipulates that at least one member of the Supervisory Board should have several years of experience abroad or have gained operational experience with an internationally active company.

The Management Board and Supervisory Board believe that the above diversity requirements for the Management Board and Supervisory Board are currently fulfilled. The Company considers additional or more specific criteria to be inappropriate. In view of the size of the Management Board and Supervisory Board, consisting of two and three members respectively, more or more specific diversity aspects would create considerable difficulties to fill the positions taking into account all diversity criteria.

Annual Shareholders' Meeting

The Annual Shareholders' Meeting is the body which formulates and expresses the interests of the shareholders of United Internet AG. At the ordinary Annual Shareholders' Meeting, the Annual Financial Statements of the parent company and Consolidated Financial Statements are presented to the shareholders. The shareholders decide on the appropriation of the balance sheet profit and vote on resolutions concerning other statutory topics, such as releasing the Management Board members from their responsibility for the past fiscal year and appointing external auditors. Each share entitles the owner to one vote. All shareholders who register in time and are listed in the Share Register on the day of the Annual Shareholders' Meeting are entitled to attend. Shareholders may also exercise their rights at the Annual Shareholders' Meeting by means of a proxy vote. The Company provides a proxy who votes according to the shareholder’s instructions, providing he receives the required order.

Compliance

Compliance is an integral component of corporate and management culture throughout the United Internet Group. For United Internet AG, compliance means ensuring its activities comply with all relevant laws for its business, as well as with its own principles and regulations.

This includes open and fair communication with our employees, customers, business partners, shareholders, and the public. As an internet service provider with several million customers and a large number of business partners, United Internet’s legally and ethically compliant behavior is vital for retaining the trust of its customers and business associates.

To ensure conduct in line with our corporate culture, the Management Board has created a binding framework for the Company’s ethical principles and values. Moreover, it has defined values and management guidelines, and compiled the most important rules of behavior in a Code of Conduct. This “culture of cooperation” provides guidance for employees in their everyday work and creates a secure framework for making the correct decisions. The framework applies equally to the Management Board, directors, managers, and all employees.

The Management Board has established a Compliance Organization to ensure adherence to the legal and internal regulations.

The Compliance Organization is part of an holistic risk management system which not only includes the “**GRC**” functions Corporate **G**overnance, **R**isk Management & **C**ompliance, but also the Corporate

Audit and Legal Department. These risk-mitigating functions are headed by the Group General Counsel, who reports directly to the CFO of United Internet AG.

The Compliance Organization is responsible for the creation of suitable structures and processes to support the implementation of compliance throughout the Company and to align measures with the respective risks. The compliance processes include release procedures in the field of corruption prevention and trustworthy reporting paths that give employees the possibility to highlight possible misconduct or legal violations within the Company.

The compliance organization is present and anchored in the business units via functional and local Compliance Managers (FCMs and LCMs). In addition to their normal functions, the FCMs and LCMs support the area of compliance.

The overarching element of the compliance system remains the responsibility of all managers for compliance. This includes acting as a role model, as enshrined in the Company's management guidelines, and goes beyond this: all managers of the Company must set an example with regard to compliance and ensure that decisions and actions in their area of responsibility are always in line with the relevant legal provisions and the Company's own values and rules.

Financial disclosures / transparency

It is the declared aim of United Internet to inform institutional investors, private shareholders, financial analysts, employees, and the public simultaneously and with equal treatment about the Company's situation by means of regular, open, and up-to-date communication.

To this end, all important information, such as press releases, ad-hoc announcements, and other mandatory disclosures (e.g., directors' dealings and notifications of voting rights), as well as all financial reports, are published in accordance with statutory regulations. In addition, United Internet provides extensive information on its corporate website (www.united-internet.de), where documents and information on Annual Shareholders' Meetings and other economically relevant facts can be found.

United Internet provides shareholders, analysts, and the press with four reports each fiscal year on the Company's business development and its financial and earnings position. The publication dates of these reports are stated in a binding financial calendar, which the Company posts on its website and regularly updates in accordance with legal obligations.

The Management Board also provides immediate information in the form of ad-hoc announcements about any events not known to the public which might significantly affect the share price.

As part of its investor relations activities, the Company's management team regularly meets with analysts and institutional investors. We also hold analyst conferences to announce our semi-annual and annual figures, which investors and analysts can also participate in via telephone.

Accounting and auditing

The Group's accounts are drawn up according to the principles of the International Financial Reporting Standards (IFRS, as applicable in the EU) with consideration of section 315e HGB. However, the Annual Financial Statements of the parent company – relevant for all dividend and tax matters – are drawn up according to the rules of the German Commercial Code (HGB). The Annual Financial

Statements and the Consolidated Financial Statements are audited by independent auditors. The respective auditing company is selected by the Annual Shareholders' Meeting. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, was elected to audit the Annual Financial Statements for the fiscal year 2019. The Supervisory Board issues the auditing mandate, determines auditing focal points, approves the auditing fee, and examines the independence of the auditors.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft has audited the Annual Financial Statements of United Internet AG and the Group since the fiscal year 2002. Mr. Jens Kemmerich has been the chief auditor since fiscal year 2019.

Remuneration of Management Board and Supervisory Board

The principles of remuneration for the Management Board and Supervisory Board are presented in section 8 of this Management Report. The disclosure of remuneration for members of the Management Board and Supervisory Board, according to person and its fixed and variable components (in line with legal regulations and the recommendations of the German Corporate Governance Code), is to be found in the Remuneration Report and section 42 of the Notes to the Consolidated Financial Statements.

Stock option plans

The principles of the stock-based compensation plan of United Internet AG are described in the Remuneration Report in section 8 of this Management Report. Further details are provided in section 36 of the Notes to the Consolidated Financial Statements.

Declaration of conformity with regard to the recommendations of the German Corporate Governance Code in accordance with section 161 German Stock Corporation Act (AktG)

The corporate governance of United Internet is based on the German Corporate Governance Code (the "Code"), which the Government Commission set up by the Federal Justice Minister in September 2001 published for the first time on February 26, 2002.

In addition to formulating current best practice with regard to corporate governance, the Code aims to make the German corporate governance system transparent and understandable. It strives to promote confidence in the management and supervision of listed German companies among international and national investors, customers, employees and the public.

The Government Commission reviews the Code annually to check whether it still complies with current corporate governance best practice and, where necessary, adjusts it accordingly.

The 14th version of the Code valid at the time of United Internet's last declaration was finalized on February 7, 2017. This version of the Code was published on April 24, 2017 by the Federal Ministry of Justice and Consumer Protection in the Federal Gazette (http://www.bundesanzeiger.de).

The Code contains three different elements:

- regulations describing currently valid legal standards in Germany
- recommendations which comply with internationally and nationally recognized standards of good and responsible corporate governance
- suggestions which comply with internationally and nationally recognized standards of good and responsible corporate governance

German corporations are obliged to observe the legal regulations.

With regard to the recommendations, the German Stock Corporation Act (section 161) requires listed companies to publish a declaration of conformity once per year.

Companies are allowed to deviate from the suggestions without the need for disclosure.

The recommendations and suggestions of the Code become valid on publication in the Federal Gazette.

On December 18, 2019, the Management Board and Supervisory Board of United Internet AG submitted their current annual declaration of conformity (presented below) in accordance with section 161 AktG and immediately published it on the Company's website (www.united-internet.de), as well as in the Federal Gazette.

In accordance with section 161 German Stock Corporation Act (AktG), the Management Board and Supervisory Board of United Internet AG declare that:

Since its last Declaration of Conformity issued on February 19, 2019, United Internet AG complied with the recommendations of the German Corporate Governance Code (the "Code") in the version dated February 7, 2017 with the stated exceptions, and will comply with the recommendations of the Code in the currently valid version dated February 7, 2017, which came into force with publication in the Federal Gazette on April 24, 2017, with the following exceptions:

Deductibles in the case of D&O insurance policies for Supervisory Board members (section 3.8 para. 3 of the Code)
The D&O insurance policy for Supervisory Board members does not include any deductible. This is also not planned in the future as United Internet AG does not generally believe that the motivation and responsibility with which the members of the Supervisory Board conduct their duties can be improved by such a deductible.

Capping Management Board compensation (section 4.2.3 para. 2 sentence 6 of the Code)
The agreements regarding Management Board compensation do not include payment caps for the total amount. Although provision is made for caps on variable components, these are not expressed as a total but as a percentage of a fixed amount. As the Supervisory Board believes that the general capping of Management Board compensation intended by the Code's recommendation is already suitably reflected by the provisions of the current compensation agreements, it does not intend to comply in full with the Code's recommendation acc. to section 4.2.3 para. 2 sentence 6 in the future.

Formation of committees
(section 5.3 of the Code)
In view of its current size with only three members, the Supervisory Board has not formed any committees and fulfills all its duties as a whole. Under these circumstances, the Supervisory Board cannot recognize how the formation of committees would improve the efficiency of its work.

Targets for the composition of the Supervisory Board
(section 5.4.1 para. 2 and 3 of the Code)
Following the resolution of past uncertainties in the regulatory environment, the Supervisory Board specified first concrete objectives regarding its composition in a resolution adopted on December 16, 2015 and will take these objectives into consideration when making election proposals at future Annual Shareholders' Meetings. It was decided not to set a regular limit for the duration of membership to the Supervisory Board as the Supervisory Board believes that such a limitation is not appropriate compared to other criteria for nominating Supervisory Board members and that it is ultimately at the discretion of the Annual Shareholders' Meeting to elect those candidates to the Supervisory Board whom they believe are best suited to representing their interests. The specific objectives of the Supervisory Board and the status of their implementation are published in the Company’s Corporate Governance Report.

Consideration of the Deputy Chair when setting compensation for Supervisory Board members
(section 5.4.6 para. 1 sentence 2 of the Code)
When setting compensation for Supervisory Board members, the position of the Deputy Chair of the Supervisory Board is not considered. The Deputy Chair of the Supervisory Board does not currently undertake any additional duties which would represent a greater burden compared to those of a regular Supervisory Board member.

8. REMUNERATION REPORT

Principles of the Management Board remuneration system

The Supervisory Board is responsible for determining the remuneration of Management Board members. The total compensation of individual members of the Management Board is determined by the Supervisory Board based on a performance assessment, taking into account any payments made by Group companies. Criteria for determining the appropriateness of remuneration are based on the responsibilities of the individual Management Board member, their personal performance, the economic situation, the performance and outlook of the Company, as well as a review of the comparability of compensation with peer companies, and the remuneration structure in place in other areas of the Company.

The size of the remuneration components is regularly reviewed, whereby the Supervisory Board also takes account of Management Board remuneration in relation to compensation for senior management and the workforce of United Internet AG as a whole over time.

The remuneration received by the members of the Management Board of United Internet AG is performance-oriented and consists of fixed and variable elements.

The fixed remuneration component is paid monthly as a salary.

The size of the variable remuneration component depends on reaching certain, fixed financial targets agreed at the beginning of the fiscal year. These targets are based mainly on key sales and earnings figures. The target attainment corridor is generally between 90% to 120%. No bonus is paid below 90% of the agreed target and the bonus calculation is capped at 120% of the agreed target. There is no provision for subsequent amendment of the performance targets. No minimum payment of the variable remuneration component is guaranteed.

There is a component providing long-term incentives in the form of a compensation program based on virtual shares (SARs). The exercise hurdle of this program is 120% of the share price. Payment of value growth is capped at 100% of the calculated share price when the virtual options were granted.

Fringe benefits generally include a company car commensurate with the respective position, which is taxable as a benefit in kind.

There are no retirement benefits from the Company to members of the Management Board.

Management Board members do not receive compensation for seats on supervisory boards of subsidiaries.

With regard to severance pay for members of the Management Board, United Internet AG bases its regulations on the recommendations of the Code:

- Payments made to a Management Board member on premature termination of their contract, including fringe benefits, are limited to the value of two years' compensation (severance pay cap) and to the remaining term of the employment contract.

- The severance pay cap is calculated on the basis of total compensation for the past fiscal year and the expected total compensation for the current fiscal year.

- If the employment contract is terminated for a serious cause for which the Management Board member is responsible, no payments are made to the Management Board member.

For the duration of the 12-month prohibition to compete on termination of the service contract, the respective Management Board member receives compensation up to the amount of their fixed remuneration.

The following tables provide details on Management Board remuneration in accordance with the recommendations of the Code.

Value of benefits granted for the reporting period

The following table shows the value of benefits granted for the reporting period. It also shows the minimum and maximum values that can be achieved. For the one-year variable compensation, the target value (i.e., the value in the event of 100% target achievement) granted for the reporting period is stated. In addition, the multi-year variable compensation granted in the reporting period – insofar as compensation was paid – is broken down into different plans and the relevant periods of time are stated. For subscription rights and other share-based payments, the fair value at the time of granting is calculated.

	Ralph Dommermuth CEO Since 2000				**Frank Krause CFO Since June 1, 2015**			
Benefits granted (in €k)	2018	2019	2019 (Min.)	2019 (Max.)	2018	2019	2019 (Min.)	2019 (Max.)
Fixed compensation	0	0	0	0	360	360	360	360
Fringe benefits	0	0	0	0	11	11	11	11
Total	**0**	**0**	**0**	**0**	**371**	**371**	**371**	**371**
One-year variable compensation	0	0	0	0	140	132	0	168
Multi-year variable compensation	0	0	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**511**	**503**	**371**	**539**
Service costs	0	0	0	0	0	0	0	0
Total compensation	**0**	**0**	**0**	**0**	**511**	**503**	**371**	**539**

Allocation for the reporting period

The following table contains the allocation for the reporting period (disbursement) for fixed compensation and the one-year variable compensation. The table also shows the allocation (disbursement) of multi-year variable compensation exercised in the reporting period. The amounts are broken down into different plans.

	Ralph Dommermuth CEO Since 2000		Frank Krause CFO Since June 1, 2015	
Allocation (in €k)	2019	2018	2019	2018
Fixed compensation	0	0	360	360
Fringe benefits	0	0	11	11
Total	**0**	**0**	**371**	**371**
One-year variable compensation	0	0	132	140
Multi-year variable compensation	0	0	0	0
Other	0	0	0	0
Total	**0**	**0**	**503**	**511**
Service costs	0	0	0	0
Total compensation	**0**	**0**	**503**	**511**

In the IFRS Consolidated Financial Statements of the United Internet Group, the following expenses were recognized for share-based payments to Management Board members: Mr. Ralph Dommermuth (€ 0k, prior year: € 0k), Mr. Frank Krause: € 194k (prior year: € 334k).

Further details on Management Board remuneration are provided in section 42.

Principles of the Supervisory Board remuneration system

In the fiscal year 2019, the members of the Supervisory Board of United Internet AG also served – in different constellations – on the supervisory boards of United Internet AG's most important subsidiaries, i.e., the supervisory boards of 1&1 Drillisch AG, 1&1 Telecommunication SE, 1&1 IONOS SE, as well as 1&1 Mail & Media Applications SE. The Supervisory Board members each receive separate compensation for their work on behalf of the companies mentioned.

In each case, this compensation consists of a fixed element and an attendance fee. The fixed remuneration refers in each case to a full fiscal year. For parts of a fiscal year, compensation is paid on a prorated basis.

The remuneration system for the Supervisory Board of United Internet AG adopted by the Annual Shareholders' Meeting 2015 consists of a fixed remuneration component for an ordinary member and the Deputy Chairman of the Supervisory Board of € 15,000 each per full fiscal year and for the Chairman of the Supervisory Board of € 30,000 per full fiscal year. In addition, each member of the Supervisory Board receives a payment of € 1,000 for each meeting they attend in person, or via telephone, video conference, or corresponding connection. There are no stock option plans for members of the Supervisory Board.

The new remuneration system for the Supervisory Board of 1&1 Drillisch AG adopted by the Annual Shareholders' Meeting 2018 consists of a fixed remuneration component for an ordinary member of the Supervisory Board of € 45,000 each per full fiscal year and for the Chairman of the Supervisory Board of € 55,000 per full fiscal year. In addition, each member of the Supervisory Board receives a payment of € 1,000 for each meeting they attend in person, or via telephone, video conference, or corresponding connection. There are no stock option plans for members of the Supervisory Board.

In the course of their duties for 1&1 Telecommunication SE, the fixed remuneration component for an ordinary member of the Supervisory Board, for the Deputy Chairman of the Supervisory Board, and for the Chairman of the Supervisory Board is € 10,000 per full fiscal year in each case. In addition, each member of the Supervisory Board receives a payment of € 1,000 for each meeting they attend in person, or via telephone, video conference, or corresponding connection.

In the course of their duties for 1&1 IONOS SE, the fixed remuneration component for an ordinary member and the Deputy Chairman of the Supervisory Board is € 30,000 each per full fiscal year, and for the Chairman of the Supervisory Board € 35,000 per full fiscal year. In addition, each member of the Supervisory Board receives a payment of € 1,000 for each meeting they attend in person, or via telephone, video conference, or corresponding connection.

In the course of their duties for 1&1 Mail & Media Applications SE, the fixed remuneration component for an ordinary member of the Supervisory Board is € 15,000 per full fiscal year, and for the Deputy Chairman and Chairman of the Supervisory Board € 25,000 each per full fiscal year. In addition, each member of the Supervisory Board receives a payment of € 1,000 for each meeting they attend in person, or via telephone, video conference, or corresponding connection.

Specific details on Supervisory Board compensation is provided in section 42 of the Notes to the Consolidated Financial Statements.

Employee stock ownership plans

Virtual stock option program for management (SAR)

For many years now, United Internet AG has operated a stock-based compensation plan which enables its managers to participate in the Company's success and is aimed at enhancing staff loyalty. The plan takes the form of a virtual stock option program.

Virtual stock options, or Stock Appreciation Rights (SARs), refer to the commitment of United Internet AG to pay the beneficiary a cash amount equivalent to the difference between the share price on the date of granting the option and the share price on exercising the option. The exercise hurdle is 120% of the share price, which is calculated as the average closing price in electronic trading (Xetra) of the Frankfurt Stock Exchange over the ten days preceding issuance of the option. Payment of value growth to the entitled person is limited to 100% of the calculated share price when the virtual options were granted.

An SAR corresponds to a virtual subscription right for one share of United Internet AG. However, it is not a share right and thus not a (genuine) option to acquire shares of United Internet AG. United Internet AG retains the right to fulfill its commitment to pay the SAR in cash by also transferring United Internet AG shares from its stock of treasury shares to the beneficiary, at its own discretion. Employees may exercise their option rights after expiry of certain minimum retention periods. The increase in value represents a taxable gain for employees. The SARs have a maturity of no more than six years.

Option rights can be exercised as follows: up to 25% of the option right may be converted at the earliest 24 months after the date of issue of the option; up to 50% at the earliest 36 months after the date of issue of the option; a total of up to 75% may be exercised at the earliest 48 months after the date of issue of the option; the full amount may be exercised at the earliest 60 months after the date of issue of the option.

Stock-based compensation for employees

In addition to its long-standing employee stock ownership program for management, United Internet AG introduced a wide-ranging program for its employees in Germany in the fiscal year 2016, which ended in mid-2018.

The aim of the program was to

- involve employees more directly in the development of the Company and its share,
- raise staff motivation and performance,
- honor the loyalty of staff to the United Internet Group,
- and at the same time support the development of the Company.

Against this backdrop, the employee stock ownership program ("ESOP") was designed in the form of a stock-based compensation plan. The program consisted of two components:

- Firstly, qualifying employees received the option to buy a specific number of shares in United Internet AG at a reduced price, which they then had to hold for a period of two years (vesting period).

- On completion of the vesting period, participants were granted further shares for free, provided they were still working for the Company – whereby employees of companies participating in "performance matching" received additional shares if certain pre-defined targets were reached.

Both the discounted acquisition of the shares and the free allocation of additional shares after the end of the vesting period represented a taxable benefit in kind.

Employees at international locations were offered a different (non-stock-based) incentive system for tax reasons.

Further details on employee stock ownership plans are provided in section 36 of the Notes to the Consolidated Financial Statements.

9. DEPENDENT COMPANY REPORT

In compliance with section 312 (1) AktG, the Management Board declares that the Company received adequate compensation (quid pro quo) for all legal transactions and measures listed in the report on relations with affiliated companies, in accordance with the circumstances known at the time when such transactions or measures were carried out, or the measure involved was executed or omitted, and that the Company was not disadvantaged by such measures being executed or omitted.

Montabaur, March 23, 2020

The Management Board

Ralph Dommermuth   Frank Krause

ANNUAL FINANCIAL STATEMENTS OF THE PARENT COMPANY ACC. TO HGB AS OF DECEMBER 31, 2019

CONTENTS

United Internet AG, Montabaur
Balance sheet as of December 31, 2019

Assets		December 31, 2019	December 31, 2018
	EUR	EUR	EUR
A. Non-current assets			
I. Intangible assets			
Concessions, industrial and similar rights and assets, as well as licenses in such rights, and assets acquired for consideration		0.00	8,675.00
II. Property, plant, and equipment			
Other equipment, operational, and office equipment		1,088.00	21,847.00
III. Financial assets			
1. Shares in affiliated companies	3,763,369,888.73		3,668,830,203.75
2. Loans to affiliated companies	1,907,550,000.00		2,312,455,266.76
		5,670,919,888.73	5,981,285,470.51
		5,670,920,976.73	5,981,315,992.51
B. Current assets			
I. Accounts receivable and other assets			
1. Receivables due from affiliated companies	216,228,531.14		207,087,389.45
2. Other assets	14,777,069.13		40,748,512.85
		231,005,600.27	247,835,902.30
II. Securities			
Other securities		2,383,789.80	3,742,322.96
III. Cash in hand and bank balances		40,226,075.09	731,841.30
		273,615,465.16	252,310,066.56
C. Prepaid expenses		63,874.00	204,894.00
		5,944,600,315.89	6,233,830,953.07

Equity and liabilities		December 31, 2019	December 31, 2018
	EUR	EUR	EUR
A. Equity			
I. Capital stock (conditional capital: EUR 25,000,000.00)	205,000,000.00		205,000,000.00
less treasury shares	-17,338,513.00		-4,702,990.00
		187,661,487.00	200,297,010.00
II. Capital reserves		457,976,677.74	457,976,677.74
III. Revenue reserves			
Other revenue reserves		77,853,191.62	379,801,899.06
IV. Balance sheet profit		2,628,975,271.16	2,579,262,280.97
		3,352,466,627.52	3,617,337,867.77
B. Accruals			
1. Accrued taxes	51,787,225.13		76,882,272.04
2. Other accrued liabilities	2,899,380.27		3,914,372.23
		54,686,605.40	80,796,644.27
C. Liabilities			
1. Liabilities due to banks	1,740,715,728.00		1,943,804,593.00
2. Trade accounts payable	209,463.33		1,033,786.07
3. Liabilities due to affiliated companies	783,887,436.60		574,960,843.49
4. Other liabilities	3,561,340.96		5,449,614.83
thereof from taxes EUR 3,561,340.96 (prior year: EUR 5,449,614.83)			
		2,528,373,968.89	2,525,248,837.39
D. Deferred tax liabilities		9,073,114.08	10,447,603.64
		5,944,600,315.89	6,233,830,953.07

United Internet AG, Montabaur
Income Statement for 2019

		EUR	EUR	2018 EUR
1.	Sales	272,838.68		12,948.84
2.	Other operating income	962,839.61		147,643,068.83
			1,235,678.29	147,656,017.67
3.	Personnel expenses			
	a) Wages and salaries	502,777.12		594,079.14
	b) Social security contributions	22,432.23		22,686.56
4.	Depreciation and amortization of intangible assets and property, plant and equipment	15,364.00		38,354.00
5.	Other operating expenses	12,652,936.66		36,882,631.57
			13,193,510.01	37,537,751.27
6.	Income from profit transfer agreements	122,314,595.03		117,723,632.39
7.	Income from investments thereof from affiliated companies EUR 6,477,918.90 (prior year: EUR 209,631,358.23)	6,546,027.18		209,631,358.23
8.	Income from loans in financial assets Income from loans in financial assets EUR 116,009,779.74 (prior year: EUR 113,104,267.06)	116,009,779.74		113,104,267.06
9.	Other interest and similar income thereof from affiliated companies EUR 2,165,637.80 (prior year: EUR 10,573,025.64)	4,062,957.80		11,775,094.09
10.	Expense from loss transfer	37,394,478.66		263,570,421.50
11.	Interest and similar expenses thereof to affiliated companies EUR 4,383,529.73 (prior year EUR 915,295.01)	21,966,276.57		25,487,323.31
			189,572,604.52	163,176,606.96
12.	Taxes on income thereof income from the change in disclosed deferred taxes EUR -2,853,756.51 (prior year: income of EUR 5,373,740.07)		58,885,400.61	68,440,399.25
13.	Result after taxes		118,729,372.19	204,854,474.11
14.	Other taxes		1,531.50	919.00
15.	Net profit for the year		118,727,840.69	204,853,555.11
16.	Profit carried forward		2,569,247,430.47	2,374,408,725.86
17.	Transfer to other revenue reserves		-59,000,000.00	0.00
18.	Balance sheet profit		2,628,975,271.16	2,579,262,280.97

UNITED INTERNET AG, MONTABAUR

Notes to the Financial Statements for the Fiscal Year 2019

GENERAL PROVISIONS

The annual financial statements for the fiscal year 2019 were prepared in accordance with sections 242ff. and sections 264ff. German Commercial Code (HGB), as well as with the respective provisions of the German Stock Corporation Law (AktG).

United Internet AG, Montabaur, is registered under number 5762 in Commercial Register B of the Local Court of Montabaur and is classified as a large corporation pursuant to section 267 (3) HGB due to its capital market orientation.

The annual financial statements are based on the provisions of the German Commercial Code and Stock Corporation Act, as amended.

The income statement is prepared according to the cost summary method.

In order to enhance the clarity of presentation, disclosures on the composition of line items, and in some cases “thereof” references, are included in these notes.

Reference is made to the fact that consolidated financial statements have been prepared according to International Financial Reporting Standards (IFRS), as applied in the EU, to comply with the listing requirements for the Prime Standard segment of the Frankfurt Stock Exchange and have been disclosed in accordance with section 325 HGB with reference to section 315e HGB.

INFORMATION ABOUT THE COMPANY

The business activities of United Internet AG (United Internet) go back to "Eins & Eins EDV Marketing GmbH”, which was founded by Mr. Ralph Dommermuth and two other shareholders in 1988. The name of this marketing company was changed to "1&1 EDV Marketing GmbH”, before being finally renamed as "1&1 Holding GmbH” in 1993.

United Internet AG was founded on January 29, 1998 as a new holding company for the 1&1 Group, with the name 1&1 Aktiengesellschaft & Co. Kommanditgesellschaft auf Aktien, a partnership limited by shares. The Company was entered into the commercial register at the Local Court of Montabaur against HRB 5762 on February 16, 1998. 1&1 Holding GmbH was subsequently merged into the Company with effect from January 1, 1998.

On March 20, 1998 the Company’s shares were admitted to the Regulated Market of the Frankfurt Stock Exchange with a listing in the Neuer Markt segment. The shares were traded for the first time on March 23, 1998.

The extraordinary shareholders’ meeting on February 22, 2000 adopted a resolution to change the name of the Company to United Internet Aktiengesellschaft & Co. KGaA. The new name was entered in the commercial register on February 23, 2000.

The change of legal form to a stock corporation by the name of United Internet AG, also decided on February 22, 2000, was entered in the commercial register on March 23, 2000.

PURPOSE OF THE COMPANY

The purpose of the Company is to provide marketing, selling, and other services, especially in the fields of telecommunications, information technology, including the Internet, and data processing, or related areas. The Company's purpose also includes the acquisition, holding, and management of investments in other companies, especially those operative in the aforementioned business segments. The Company is entitled to bring companies in which it holds an investment under its common control and may restrict itself to the management or administration of its investments.

The Company is authorized to acquire or hold investments in all types of companies in Germany and other countries and to transact all business that is conducive to its purpose. The Company is also authorized to conduct its business through subsidiaries, associated companies, and joint ventures. It may outsource or transfer all or part of its operations to affiliated companies.

MANAGEMENT AND REPRESENTATION OF THE COMPANY

The Company's Management Board manages and represents the Company. According to its by-laws, the Management Board has one or more members, the number of which is determined by the Supervisory Board. If the Management Board has only one member, the Company is represented by this person. If it has more than one member, the Company is represented by two members of the Management Board or by one member of the Management Board collectively with a person holding power of attorney; however, the Supervisory Board may authorize particular members of the Management Board to represent the Company on their own.

ACCOUNTING AND VALUATION METHODS

All figures are in euro (€), thousand euro (€k), million euro (€m), or billion euro (€bn).

The following accounting and valuation methods continued to be used in the preparation of the annual financial statements.

Purchased **intangible assets** are carried at cost and amortized in scheduled amounts over their useful lives (3 years, straight-line method) insofar as they are subject to wear and tear.

Property, plant, and equipment are carried at cost and depreciated over their expected useful lives using the straight-line method. Depreciation of additions to property, plant, and equipment is always made pro rata temporis. Individual items with a low net value of up to € 250.00 are fully expensed in the year of acquisition; it is assumed that they are disposed of immediately.

Operational equipment is usually depreciated over 4 to 5 years. Leasehold improvements are generally written off over a period of 10 years or the shorter lease period. The expected useful life of office furniture and equipment is 8 to 13 years that of the vehicles is 6 years.

Shares in affiliated companies disclosed under **financial assets** are reported at the lower of cost or – in the case of permanent impairment – market value, while loans are always stated at the lower of nominal or – in the case of permanent impairment – market value.

Receivables and other assets are stated at nominal value. All risk-bearing items, which are significant in terms of amount, are covered by reasonable allowances.

The **other securities** held as current assets were measured at cost or, if applicable, in accordance with section 253 (4) of the German Commercial Code (HGB), at the lower of stock exchange and market price on the reporting date.

Tax accruals and **other accruals** consider all contingent liabilities, recognizable risks, and impending losses. They are carried at the settlement amount computed in accordance with prudent commercial practice (i.e., including future cost and price increases). Accruals with a remaining term of more than one year are discounted. As of the balance sheet date, the employee stock ownership program of the United Internet Group is carried at the prorated fair value of the obligation. The obligations are measured on each balance sheet date from the grant date until their settlement. Fair value is calculated with the aid of recognized financial models and is recognized pro rata temporis as a personnel expense over the vesting period.

Liabilities are stated at their settlement amount.

Deferred taxes are calculated due to temporary or quasi-permanent differences between the commercial law valuation of assets, liabilities, and prepaid expenses and their tax valuation, or due to tax loss carryforwards. They are measured using the Company's individual tax rates at the point in time when the differences reverse. The amounts of the resulting tax burden or relief are not discounted. Deferred tax assets and liabilities are netted.

Assets and liabilities denominated in foreign currencies are translated at the average spot rate on the balance sheet date. In the case of remaining terms of over one year, the realization principle (section 252 (1) number 4 half-sentence 2 HGB) and the acquisition cost principle (section 253 (1) sentence 1 HGB) are applied. The "thereof-currency-translation" comments stated in the notes include both recognized and unrecognized exchange rate differences.

NOTES TO BALANCE SHEET ITEMS

NON-CURRENT ASSETS

Reference is made to the non-current asset movement schedule (exhibit 1 of the notes) for the classification and development of non-current assets and disclosure of depreciation and amortization in the fiscal year.

Intangible assets

Intangible assets in the reporting period mainly concern licenses.

Financial assets

Information on the equity situation and results of operations of the affiliated companies, stating the respective shareholding, is included in the list of shareholdings (exhibit 2 of the notes).

CURRENT ASSETS

Receivables and other assets

The classification and maturities of receivables and other assets are shown in the following table (in €k):

	Dec. 31, 2019	Dec. 31, 2019			Dec. 31, 2018
			Remaining term		
	Total	up to 1 year	of 1 to 5 years	over 5 years	Total *
Accounts receivable from affiliated companies	216,229	216,229	0	0	207,087
Other assets	14,777	14,777	0	0	40,749
	231,006	**231,006**	**0**		**247,836**

* All remaining terms up to 1 year.

Receivables from affiliated companies mainly comprise receivables from the United Internet Group's internal cash management system due from United Internet Service Holding GmbH amounting to € 54,948k, due from United Internet Corporate Services GmbH amounting to € 28,567k, due from A1 Marketing GmbH amounting to € 4,148k, and due from United Sourcing & Apprenticeship GmbH amounting to € 1,456k.

Moreover, receivables from affiliated companies result from profit transfer agreements due from 1&1 Mail & Media Applications SE amounting to € 70,508k, due from United Internet Investments Holding AG & Co. KG amounting to € 48,913k, due from United Internet Corporate Services GmbH amounting to € 2,660k, and due from United Internet Service SE amounting to € 233k.

Receivables from affiliated companies from the purchase of services are mainly due from United Internet Corporate Services GmbH amounting to € 1,864k, from United Internet Media GmbH amounting to € 1,308k, from 1&1 Telecommunications SE amounting to € 405k, from 1&1 Mail & Media GmbH amounting to € 398k, and from Sourcing & Apprenticeship GmbH amounting to € 379k.

Other assets consist mostly of receivables due from the tax office (€ 13,679k).

EQUITY

The Company has the legal form of a stock corporation (“Aktiengesellschaft”).

Capital stock and shares

As in the previous year, the fully paid-in capital stock on December 31, 2019 amounted to € 205,000,000.00 divided into 205,000,000 registered no-par shares having a theoretical share in the capital stock of € 1.00 each.

As of December 31, 2019 the Company held 17,338,513 treasury shares, which in accordance with section 272 (1)a HGB are deducted from capital stock on the face of the balance sheet.

Approved capital

The Company’s Management Board is authorized, subject to the approval of the Supervisory Board, to increase the capital stock by a maximum of € 102,500,000.00 in the period ending May 20, 2020 by issuing on one or more occasions new no-par common shares in return for cash and/or non-cash contributions.

In the case of a capital increase in return for cash contributions, the shareholders shall be granted subscription rights. However, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the right to subscribe in the case of fractional amounts and also to exclude the right to subscribe to the extent that this should be necessary in order to grant subscription rights for new shares to bearers of warrants, convertible bonds, or warrant bonds issued by the Company or subordinated Group companies in the amount to which they are entitled on conversion of their conversion or warrant rights or fulfillment of their conversion obligation. The Management Board is also authorized, subject to the approval of the Supervisory Board, to exclude the right of shareholders to subscribe in the case that the issue amount of the new shares is not substantially lower than the quoted market price of Company shares with the same terms at the time of finalizing the issue amount and the shares issued in accordance with section 186 (3) sentence 4 AktG do not exceed in total 10% of capital stock. Shares sold or issued due to other authorizations in direct or corresponding application of section 186 (3) sentence 4 AktG under exclusion of subscription rights are to be accounted for in this limitation.

Furthermore, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the right of shareholders to subscribe in the case of capital increases in return for non-cash contributions, especially in connection with the acquisition of companies, shareholdings, or assets.

Conditional capital

Capital stock has been conditionally increased by up to € 25,000,000.00, divided into 25,000,000 no-par value shares (Conditional Capital 2015). The conditional capital increase is earmarked for shares to be granted to bearers or holders of warrant or convertible bonds granted by the Company or a subordinated Group company in accordance with the authorization. The new shares shall be issued at the warrant or conversion price to be determined in the bond terms and in accordance with the above authorization. The conditional capital increase shall only be implemented to the extent that the warrant or conversion rights pertaining to the bonds are exercised or warrant or conversion obligations pertaining to the bonds are fulfilled, or the Company exercises its right to tender shares, and unless other fulfillment possibilities for servicing are used. The new shares used for the issue shall participate in profits from the beginning of the fiscal year in which they are created by exercising the warrant or conversion right; to the extent that it is legally permissible, the Management Board may, with the approval of the Supervisory Board, determine the profit participation of new shares and, notwithstanding section 60 (2) AktG, also for a fiscal year already expired.

The Management Board is authorized to determine the further details of the implementation of the conditional capital increase.

Authorization of Annual Shareholders' Meeting to acquire treasury shares

Pursuant to section 71 (1) number 8 AktG, the Company is entitled to acquire treasury shares until September 18, 2020 up to a limit of ten percent of capital stock. The purchase price may be no lower than ten percent of the share's market price, nor higher than ten percent above its market price. The authorization may not be used for the purpose of trading with treasury shares.

As of the balance sheet date 17,338,513 treasury shares were held.

In addition to a sale via the stock exchange or in another manner that ensures the equal treatment of all shareholders, the Management Board is authorized, subject to the approval of the Supervisory Board, to use the United Internet shares purchased based on the authorization granted on May 18, 2017, or any prior authorizations, pursuant to section 71 (1) number 8 AktG, for the following purposes:

a) Sale for cash consideration that is not significantly below the Company's share price listed on the stock exchange at the time of sale (without ancillary purchase costs). This authorization, however, shall only apply on condition that this is a proportional amount of no more than 10%, or if this value is lower, of the existing capital stock accounted for by the total sold shares when this authorization is implemented. Those shares with a subscription right which was excluded, by the direct or corresponding application of section 186 (3) sentence 4 AktG, for this authorization's duration at the same time should be counted toward the above-stated maximum threshold.

b) Sale for payment in kind, particularly within the scope of the direct or indirect purchase of companies, parts of a company or equity shares therein, or other assets including receivables from the Company, or entitlements to purchase assets, or as part of corporate combinations as a (partial) consideration.

c) The granting of United Internet shares as part of remuneration and/or employee stock ownership programs by which United Internet offers or transfers shares to United Internet AG Management Board members and/or to individuals who are in an employment relationship with the Company or with one of its current or former affiliates and/or management board members of corporations affiliated with the Company. Insofar as United Internet shares are to be transferred to members of the Company's Management Board, the decision on this shall be incumbent upon the Company's Supervisory Board.

d) The fulfilment of conversion or option rights and/or conversion obligations stemming from convertible bonds or warrant bonds issued by the Company or by corporations which are controlled or majority held by the Company.

e) Whole or partial cancellation without any further resolution of the Annual Shareholders' Meeting. The Management Board is authorized, subject to the approval of the Supervisory Board, to reduce the Company's capital stock by the capital stock proportion attributable to the redeemed shares. Subject to the approval of the Supervisory Board, the Management Board may determine, in derogation herefrom, that the capital stock shall remain unchanged upon cancellation and that instead, by way of cancellation, the proportional ratio of remaining shares to the capital stock shall increase. The Supervisory Board is authorized to amend section 5 of the Company's by-laws in accordance with the respective utilization of its authorization to cancel shares.

Total shareholders' equity developed as follows (€):

Development of total shareholders' equity

Capital stock		
- Capital stock - December 31, 2018		205,000,000.00
Open deduction of treasury shares acc. to section 272 (1)a HGB - December 31, 2018	-4,702,990.00	
- Issue of treasury shares	0.00	
- Purchase of treasury shares	-12,635,523.00	
Open deduction of treasury shares acc. to section 272 (1)a HGB - December 31, 2019		-17,338,513.00
- Balance as of December 31, 2019		**187,661,487.00**
Capital reserves		
- Balance as of December 31, 2018		**457,976,677.74**
- Balance as of December 31, 2019		**457,976,677.74**
Other revenue reserves		
- Balance as of December 31, 2018		**379,801,899.06**
- Transfer to other revenue reserves		59,000,000.00
- Purchase of treasury shares		-360,948,707.44
- Balance as of December 31, 2019		**77,853,191.62**
Balance sheet profit		
- Balance as of December 31, 2018		**2,579,262,280.97**
- Dividend payment		-10,014,850.50
- Transfer to other revenue reserves		-59,000,000.00
- Net profit for the year		118,727,840.69
- Balance as of December 31, 2019		**2,628,975,271.16**
Total shareholders' equity		**3,352,466,627.52**

Treasury shares are treated in the same way as a capital reduction. The nominal amount is deducted from subscribed capital on the face of the balance sheet and the difference is offset with other revenue reserves. The nominal value of shares held on the balance sheet date December 31, 2019, amounting to € 17,338,513.00, was therefore deducted from capital stock and disclosed in a sub-column on the face of the balance sheet.

The Annual Shareholders' Meeting of May 23, 2019 followed the proposal of the Management Board and Supervisory Board to carry forward part of the balance sheet profit 2018 amounting to € 2,569,247,430.47 and to distribute another part totaling € 10,014,850.50 as a dividend.

Moreover, the Management Board of United Internet AG resolved to transfer part of the annual net profit amounting to € 59,000,000.00 to other revenue reserves in accordance with section 58 (2) sentence 1 AktG.

As of the reporting date, the balance sheet profit amounts to € 2,628,975,271.16. The balance sheet profit contains a carryforward from the previous year amounting to € 2,579,262,280.97. This amount was reduced under consideration of the dividend paid in fiscal year 2019 to € 2,569,247,430.47.

For the fiscal year 2019, the Management Board has proposed to the Supervisory Board the payment of a dividend of € 0.50 (see Dividend Proposal) per share. The Management Board and Supervisory Board will discuss this dividend proposal at the Supervisory Board meeting on March 25, 2020. According to section 21 of the by-laws of United Internet AG, the Annual Shareholders' Meeting decides on the appropriation of the balance sheet profit.

Pursuant to section 71b AktG, the Company does not accrue any rights from treasury shares and thus has no pro-rated dividend rights.

Treasury shares

As of December 31, 2019 the Company held 17,338,513 treasury shares, representing 8.46% of the capital stock of 205,000,000 shares. The average purchase cost per share amounted to € 31.68.

ACCRUALS

Accrued taxes of € 24,552k refer to corporation tax, the solidarity surcharge and trade tax for previous years.

Other accrued liabilities contain appropriate accruals formed for all foreseeable liabilities whose amount and nature are uncertain as well as for pending losses, including for legal, auditing and consulting fees (€ 496k), the employee stock ownership plan (€ 342k), and for bonuses (€ 132k).

LIABILITIES

The classification and maturities of the liabilities are shown in the following table (in €k):

	Dec. 31, 2019	Dec. 31, 2019			Dec. 31, 2018		
	Total	Up to 1 year	Remaining term of 1 to 5 years	Over 5 years	Total	Remaining term of up to 1 year	Remaining term of over 1 year
Bank liabilities	1,740,716	238,000	1,502,716	0	1,943,805	208,305	1,735,500
Trade payables	209	209	0	0	1,034	1,034	0
Liabilities due to affiliated companies	783,887	783,887	0	0	574,961	574,961	0
Other liabilities thereof for taxes € 3,561k (prior year: € 5,450k)	3,561	3,561	0	0	5,450	5,450	0
	2,528,374	**1,025,657**	**1,502,716**	**0**	**2,525,250**	**789,750**	**1,735,500**

As of December 31, 2019, bank liabilities amounted to € 1,741 million. They mainly comprise various syndicated loans totaling € 900 million and two promissory note loans totaling € 836 million. The Company has made use of a contractually agreed prolongation option and extended the term of its revolving syndicated loan facility totaling € 810 million agreed on December 21, 2018, by one year (originally five years) from January 2024 to January 2025.

In addition, United Internet AG has an existing bilateral credit facility of € 200 million. The facility has been granted until further notice and bears standard market interest rates. United Internet AG is the sole borrower of this facility. No drawings had been made from the credit facility as at the end of the reporting period.

No collateral was provided for any of the loans.

Liabilities to affiliated companies mainly consist of liabilities from balances of the United Internet Group's internal cash management system (€ 737,309k), from services received from these companies (€ 7,867k), and from profit transfer agreements (€ 37,394k).

Other liabilities mainly consist of sales tax liabilities of € 3,550k.

DEFERRED TAXES

Due to existing direct and indirect tax pooling, the measurement of deferred taxes is made across the entire tax pooling group of United Internet AG.

In the reporting period, there was a negative balance of deferred taxes of € 9,073k as of December 31, 2019 (prior year: € 10,448k). Deferred tax assets amount to € 4,751k (prior year: € 4,548k) and result as of the reporting date from deductible temporary differences relating to intangible assets, as well as accruals. Deferred tax liabilities in the reporting period result from temporary differences relating to valuation differences between the trade and tax balance sheets, especially from investments, and amount to € 13,824k (prior year: € 14,996k). The calculation is based on a tax rate of 31.07% (prior year: 31.09%).

NOTES TO THE INCOME STATEMENT

OTHER OPERATING INCOME

Other operating income mainly results from the reversal of accruals of € 598k, internal Group charges of € 177k, and income not relating to the period of € 19k.

PERSONNEL EXPENSES

Adjusted for the effects from employee stock ownership plans, personnel expenses amounted to € 525k in the reporting period (prior year: € 616k).

OTHER OPERATING EXPENSES

Other operating expenses mainly comprise the invoicing of services rendered by the Group company United Internet Corporate Services GmbH to United Internet AG for internal services rendered as well as for official Group matters. In addition, other operating expenses include expenses for legal, consulting and audit fees (€ 2,160k; prior year: € 3,757k).

INCOME FROM PROFIT TRANSFER AGREEMENTS

Income from profit transfer agreements refers to the profit transfers of 1&1 Mail & Media Applications SE amounting to € 70,508k, of United Internet Investments Holding AG & Co. KG amounting to € 48,913k, of United Internet Corporate Services GmbH amounting to € 2,660k, and of United Internet Service SE amounting to € 233k.

INCOME FROM INVESTMENTS

Income from investments amounted to € 6,546k (prior year: € 209,631k) and mainly includes dividends of 1&1 Drillisch AG.

EXPENSES FOR LOSS ASSUMPTIONS

Expenses for loss assumptions mainly comprise the compensation expense for United Internet Service Holding GmbH (€ 37,240k, prior year: € 41,283k).

INCOME TAXES

Income taxes of € 58,885k comprise current taxes for 2019 of € 53,459k (of which € 26,821k for corporation tax and the solidarity surcharge and € 26,638k for trade tax) and € 6,801k from previous years. Income from the reversal of deferred tax liabilities amounting to € 1,374k had an opposing effect.

OTHER DISCLOSURES

Average number of employees

An average of 2 (prior year: 2) permanent salaried staff were employed in the past fiscal year (without Management Board members, apprentices, part-time staff, and employees on maternity leave).

Executive bodies of United Internet AG

As of December 31, 2019, the Management Board consisted of the following members:

Ralph Dommermuth (CEO), Montabaur

Frank Krause (CFO), Kronberg/Taunus

The members of the Management Board also belong to the supervisory boards of the following companies:

Ralph Dommermuth

- Versatel Telecommunications GmbH, Düsseldorf, chair of the advisory committee (until July 22, 2019)
- 1&1 Versatel GmbH, Düsseldorf, chair of the advisory committee (as of September 20, 2019)
- 1&1 IONOS Holding SE, Montabaur (formerly: 1&1 Internet Holding SE), deputy chair of the supervisory board

Frank Krause

- Versatel Telecommunications GmbH, Düsseldorf, member of the advisory committee (until July 22, 2019)
- 1&1 Versatel GmbH, Düsseldorf, deputy chair of the advisory committee (as of September 20, 2019)
- 1&1 IONOS Holding SE, Montabaur (formerly: 1&1 Internet Holding SE), member of the supervisory board

The Supervisory Board is responsible for determining the remuneration of the Management Board. The members of the Management Board are compensated according to performance. This compensation consists of a fixed and a variable element (bonus). A target remuneration figure is agreed for the fixed component and the bonus, which is regularly reviewed. The last review was made in fiscal year 2017. The fixed remuneration component is paid monthly as a salary. The size of the bonus depends on reaching certain, fixed financial targets agreed at the beginning of the fiscal year. These targets are based mainly on the sales and earnings figures. The target attainment corridor is generally between 90% to 120%. No bonus is paid below 90% of the agreed target and the bonus calculation ends at 120% of the agreed target. No subsequent amendment of the performance targets is allowed. There is no minimum guaranteed bonus. Payment is made after the annual financial statements have been adopted by the Supervisory Board.

As agreed with the Company’s Supervisory Board, Mr. Ralph Dommermuth has waived his claim to Management Board remuneration since the fiscal year 2016.

In fiscal year 2019, total remuneration for the Management Board without share-based payments amounted in total to € 503k (prior year: € 511k). Of this total, € 360k or 72% was fixed, € 132k or 26% was variable, and € 11k or 2% were other special payments and fringe benefits.

There are no retirement benefits from the Company to members of the Management Board.

Share-based payments - Stock Appreciation Rights (SAR United Internet)

Stock Appreciation Right (SARs) refer to the Company's commitment to pay the beneficiary a cash amount equivalent to the difference between the share price on the date of granting the option (strike price) and the share price on exercising the option. The exercise hurdle is 120% of the share price of the average closing price in electronic trading (Xetra) of the Frankfurt Stock Exchange over the ten days preceding issuance of the option. Payment of value growth to the entitled person is limited to 100% of the strike price.

An SAR corresponds to a virtual subscription right for one share of United Internet AG. However, it is not a share right and thus not a (genuine) option to acquire shares of United Internet AG. The Company retains the right, however, to fulfill its commitment to pay the SAR in cash by also transferring United Internet shares from its inventory of treasury shares to the beneficiary, at its own discretion.

Up to 25% of the option right may be converted at the earliest 24 months after the date of issue of the option; up to 50% at the earliest 36 months after the date of issue of the option. A total of up to 75% may be exercised at the earliest 48 months after the date of issue of the option; the full amount may be exercised at the earliest 60 months after the date of issue of the option.

The following table provides details on the compensation received by members of the Management Board (€k):

2019	Fixed €k	Variable €k	Special and fringe benefits €k	Total fixed, variable, special and fringe benefits €k	Market value of share-based payments granted in 2019 €k *
Ralph Dommermuth	0	0	0	0	-
Frank Krause	360	132	11	503	0
	360	132	11	503	0

2018	Fixed €k	Variable €k	Special and fringe benefits €k	Total fixed, variable, special and fringe benefits €k	Market value of share-based payments granted in 2018 €k *
Ralph Dommermuth	0	0	0	0	0
Frank Krause	360	140	11	511	0
	360	140	11	511	0

* Share-based payments (so-called Stock Appreciation Rights) are compensation components with a long-term incentive and paid out over a total period of 6 years.

As in the previous year, no advances or loans were granted to members of the Management Board. No remuneration was paid to former members of the Management Board.

In fiscal year 2019, the Supervisory Board of United Internet AG consisted of the following members:

- Kurt Dobitsch, chair
  resident in Markt Schwaben
  Business owner, Chairman of the Supervisory Board of United Internet AG

- Kai-Uwe Ricke
  resident in Stallikon, Switzerland
  Member of the Board of Directors of Delta Partners, Dubai, United Arab Emirates

- Michael Scheeren, deputy chair
  resident in Frankfurt am Main
  Banker, Member of the Supervisory Board of United Internet AG

In fiscal year 2019, the members of the Supervisory Board also held seats on supervisory boards or similar committees of the following companies:

Kurt Dobitsch

- 1&1 IONOS Holding SE, Montabaur (formerly: 1&1 Internet Holding SE), since March 27, 2019
- 1&1 Telecommunication SE, Montabaur (deputy chair)
- 1&1 Mail & Media Applications SE, Montabaur (deputy chair)
- 1&1 Drillisch Aktiengesellschaft, Maintal
- Nemetschek SE, Munich (formerly: Nemetschek AG) (chair)
- Graphisoft S.E., Budapest / Hungary
- Vectorworks Inc., Columbia / USA
- Bechtle AG, Gaildorf
- Singhammer IT Consulting AG, Munich

Kai-Uwe Ricke

- 1&1 IONOS Holding SE, Montabaur (formerly: 1&1 Internet Holding SE), until March 27, 2019
- 1&1 Telecommunication SE, Montabaur
- 1&1 Mail & Media Applications SE, Montabaur (chair)
- 1&1 Drillisch Aktiengesellschaft, Maintal (deputy chair)
- EuNetworks Group Limited, London, United Kingdom
- Delta Partners Group Limited, Dubai, United Arab Emirates
- Delta Partners Capital Limited, Dubai, United Arab Emirates
- Delta Partners Growth Fund II GP Limited, Cayman Islands (formerly: Dubai)
- Delta Partners Growth Fund II (Carry) General Partner Limited, Cayman Islands (formerly: Dubai)
- SUSI Partners AG, Zurich / Switzerland (until June 17, 2019)
- Virgin Mobile CEE B.V., Amsterdam / Netherlands
- Virgin Mobile Polska sp.z.o.o, Warsaw / Poland (chair of the board of directors)
- Cash Credit Limited, Cayman Islands

Michael Scheeren

- 1&1 IONOS Holding SE, Montabaur (formerly: 1&1 Internet Holding SE)
- 1&1 Telecommunication SE, Montabaur (chair)
- 1&1 Mail & Media Applications SE, Montabaur
- 1&1 Drillisch Aktiengesellschaft, Maintal (chair)
- Tele Columbus AG, Berlin (as of August 29, 2019)

On May 21, 2015, the Annual Shareholders' Meeting adopted a new remuneration system which complies fully with the German Corporate Governance Code. It consists of a fixed remuneration component and an attendance fee per meeting. The fixed remuneration for an ordinary member of the Supervisory Board amounts to € 15k per full fiscal year. The Chairman of the Supervisory Board receives the double amount. The attendance fee amounts to € 1k for each meeting.

The members of the Supervisory Board of United Internet AG are also members of the supervisory board of various subsidiaries. As of fiscal year 2015, they receive remuneration from these subsidiaries. The remuneration of the subsidiaries also consists of a fixed annual remuneration and an attendance fee for each meeting. The fixed annual remuneration varies between the subsidiaries, while the standard attendance fee amounts to € 1k for each meeting.

The following table provides details on the compensation received by members of the Supervisory Board of United Internet AG (€k):

2019	Fixed €k	Attendance fee €k	Total €k
Kurt Dobitsch	30	4	34
Kai-Uwe Ricke	15	4	19
Michael Scheeren	15	4	19
	60	12	72
2018	Fixed €k	Attendance fee €k	Total €k
Kurt Dobitsch	30	4	34
Kai-Uwe Ricke	15	4	19
Michael Scheeren	15	4	19
	60	12	72

There are no subscription rights or share-based payments for members of the Supervisory Board.

Contingent liabilities

The Company has guaranty facility in its name. As of the reporting date, guaranties totaling € 12,336k were outstanding from this facility.

In addition, the Company is jointly and severally liable for a guaranty facility granted by banks, which both the Company and various subsidiaries may use. As of the reporting date, guaranties totaling € 8,201k were outstanding from this facility.

As of the reporting date, no outstanding guaranty from one of the two guaranty facilities had been used. Due to the stable business position of the borrowing subsidiaries and United Internet AG, the risk involved in the contingent liabilities is currently regarded as very low.

United Internet AG has issued a letter of comfort for 1&1 IONOS TopCo SE. In this connection, United Internet AG has committed to accept responsibility for obligations received until December 31, 2019 in the following fiscal year and to ensure that 1&1 IONOS TopCo SE is managed and funded in such a way that it can meet the aforementioned obligations punctually and in full.

Dividend proposal

The Management Board and Supervisory Board propose to use the balance sheet profit for the fiscal year 2019, as disclosed in the Company's approved annual financial statements, amounting to € 2,628,975,271.16 as follows:

▪ Payment of a dividend of € 0.50 per share for the past fiscal year 2019 for each no-par share with dividend entitlement (total of 187,661,487 dividend-entitled no-par shares).	€ 93,830,743.50
▪ Transfer to other revenue reserves	€ 300,000,000.00
▪ Amount carried forward	€ 2,235,144,527.66

The dividend proposal takes into account the 6,338,513 treasury shares held by the Company when the Management Board prepared these annual financial statements, which are not entitled to dividends pursuant to section 71b AktG. The number of dividend-entitled shares may change before the Annual Shareholders' Meeting. In this case, a correspondingly adjusted dividend proposal will be submitted to the Annual Shareholders' Meeting with an unchanged dividend of € 0.50 per entitled share.

Pursuant to section 58 (4) sentence 2 AktG, the dividend payment is due on the third business day following the resolution of the Annual Shareholders' Meeting.

Transactions with related parties

In the period under review, no transactions were made with related parties at non-standard market conditions.

Disclosures on shareholdings

United Internet AG is the partner with unlimited liability (general partner) of United Internet Investments Holding AG & Co. KG.

Publication of voting right announcements acc. to section 26 WpHG

Please refer to Appendix 3 of the Notes for details on voting rights disclosures.

Financial instruments

In connection with an investment agreement, there are two derivatives not recognized at fair value (conditional purchase price receivables of United Internet AG). The fair values of the derivatives depend, among other things, on the performance of an investment and the development of the GBP/EUR exchange rate. The term is indefinite and ends upon termination of the investment agreement. The claims of United Internet AG are limited to € 41 million and € 33 million, respectively. No payment obligations of United Internet AG can result from the agreement. The carrying amount of both derivatives is € 0 in both cases; the fair values amount to € 17.8 million and € 13.6 million, respectively. These valuations are based on a Black-Scholes model and a Monte Carlo simulation using observable and unobservable input factors. The input factors include in particular the expected maturity, the volatility, and the development of the GBP/EUR exchange rate.

Auditing and consulting fees

In fiscal year 2019, auditing fees totaling € 1,385k were calculated in the consolidated financial statements of United Internet AG. These include auditing fees of € 552k, other certification services of € 17k (prior year: € 56k) and tax consultancy services of € 817k. Auditing fees comprise both statutory audits as well as voluntary audits and audit reviews.

Corporate Governance Code

The declaration of conformity with the German Corporate Governance Code acc. to section 161 AktG was filed by the Management Board and Supervisory Board and is available to shareholders via the internet portal of United Internet AG (www.united-internet.de).

SUBSEQUENT EVENTS

United Internet AG has exercised its right to prematurely terminate a variable-rate tranche of promissory note loans totaling € 50 million and will repay it on the interest payment date of March 27, 2020. This tranche, which bore interest at 0.80% p.a., was originally due for repayment on March 27, 2023. As a result, the breakdown of liabilities into current and non-current bank liabilities disclosed in the consolidated balance sheet has been changed accordingly by the above mentioned amount.

Based on the authorization granted by the Annual Shareholders' Meeting on May 18, 2017 regarding the acquisition and use of treasury shares, and with the approval of the Supervisory Board, the Management Board of United Internet AG resolved on March 12, 2020 to cancel 11,000,000 treasury shares and to reduce the capital stock of United Internet AG by € 11,000,000, from € 205,000,000 to € 194,000,000. The number of shares issued will decrease correspondingly by 11,000,000, from 205,000,000 to 194,000,000 shares. Issued shares will continue to represent a notional share of capital stock of € 1 each. The cancellation of treasury shares is aimed at raising the percentage stake of United Internet shareholders. On completion of the capital reduction, the Company’s capital stock will return to the level prior to the capital increase for the Versatel acquisition in 2014. Following the cancellation of these 11,000,000 shares, United Internet AG will still hold 6,338,513 treasury shares.

There were no other significant events subsequent to the end of the reporting period on December 31, 2019 which had a material effect on the financial position and performance or the accounting and reporting of the parent company or the Group.

Montabaur, March 23, 2020

The Management Board

Ralph Dommermuth   Frank Krause

Development of Non-Current Assets of United Internet AG in Fiscal Year 2019

		Acquisition and production costs				Accumulated depreciation				Net book value	
		Jan. 1, 2019 EUR	Additions EUR	Disposals EUR	Dec. 31, 2019 EUR	Jan. 1, 2019 EUR	Additions EUR	Disposals EUR	Dec. 31, 2019 EUR	Dec. 31, 2019 EUR	Dec. 31, 2018 EUR
I.	**Intangible assets**										
	Concessions, industrial and similar rights and assets, as well as licenses in such rights and assets acquired for consideration	45,240.00	0.00	0.00	45,240.00	36,565.00	8,675.00	0.00	45,240.00	0.00	8,675.00
II.	**Property, plant, and equipment**										
	Other equipment, operational, and office equipment	114,020.17	0.00	68,657.63	45,362.54	92,173.17	6,689.00	54,587.63	44,274.54	1,088.00	21,847.00
III.	**Financial assets**										
1.	Shares in affiliated companies	3,668,830,203.75	94,539,684.98	0.00	3,763,369,888.73	0.00	0.00	0.00	0.00	3,763,369,888.73	3,668,830,203.75
2.	Loans to affiliated companies	2,312,455,266.76	0.00	404,905,266.76	1,907,550,000.00	0.00	0.00	0.00	0.00	1,907,550,000.00	2,312,455,266.76
		5,981,285,470.51	94,539,684.98	404,905,266.76	5,670,919,888.73	0.00	0.00	0.00	0.00	5,670,919,888.73	5,981,285,470.51
		5,981,444,730.68	94,539,684.98	404,973,924.39	5,671,010,491.27	128,738.17	15,364.00	54,587.63	89,514.54	5,670,920,976.73	5,981,315,992.51

United Internet AG, Montabaur

Annex 2

Statement of investments as of December 31, 2019

	Capital share	Company equity as of Dec. 31, 2019	Net income / loss FY 2019
	in %	€k	€k
Shares held directly			
1&1 Mail & Media Applications SE, Montabaur (1)	100.00	968,685	0
CA BG AlphaRho AG, Vienna/Austria	100.00	21	-15
MIP Multimedia Internet Park GmbH, Zweibrücken	100.00	-76	-136
United Internet Corporate Holding SE, Montabaur (1)	100.00	120	0
United Internet Corporate Services GmbH, Montabaur (1)	100.00	25	0
United Internet Investments Holding AG & Co. KG, Montabaur (1) (17)	100.00	128,439	0
United Internet Management Holding SE, Montabaur (1)	100.00	120	0
United Internet Service Holding GmbH, Montabaur (1)	100.00	1,176,113	0
United Internet Service SE, Montabaur (1)	100.00	120	0
1&1 Drillisch AG, Maintal	75.10	6,942,036	362,263
1&1 IONOS TopCo SE, Montabaur (formerly 1&1 Internet TopCo SE)	66.67	522,908	-240
Shares held indirectly			
1&1 Berlin Telecom Service GmbH, Berlin (2) (3)	100.00	25	0
1&1 Cardgate LLC, Chesterbrook/USA (4)	100.00	269	269
1&1 De-Mail GmbH, Montabaur (1)	100.00	25	0
1&1 Energy GmbH, Montabaur	100.00	400	-2,293
1&1 Internet Development SRL, Bucharest/Romania (4) (14)	100.00	2,112	1,821
1&1 Internet Sp.z o.o, Warsaw/Poland (4) (12)	100.00	-7	-238
1&1 IONOS Cloud Inc., Delaware/USA (4)	100.00	1,301	-496
1&1 IONOS Datacenter SAS, Strasbourg/France (4) (formerly 1&1 Datacenter SAS)	100.00	1,860	125
1&1 IONOS Espana S.L.U., Madrid/Spain (4) (formerly 1&1 Internet Espana S.L.U.)	100.00	1,123	1,120
1&1 IONOS Holding SE, Montabaur (4) (7) (formerly 1&1 Internet Holding SE)	100.00	265,676	670
1&1 IONOS Inc., Chesterbrook/USA (4)	100.00	20,449	3,225
1&1 IONOS Ltd., Gloucester/UK (4) (formerly 1&1 Internet Ltd.)	100.00	2,335	2,205
1&1 IONOS (Philippines) Inc., Cebu City /Philippines (4) (15) (formerly 1&1 Internet (Philippines	100.00	1,037	120
1&1 IONOS S.A.R.L., Saargemünd/France (4) (formerly 1&1 Internet S.A.R.L.)	100.00	1,340	1,230
1&1 IONOS SE, Montabaur (4) (8)	100.00	390,319	0
1&1 IONOS Service GmbH, Montabaur (4) (8) (formerly 1&1 Internet Service GmbH)	100.00	240	0
1&1 IONOS UK Holdings Ltd., Gloucester/UK (4) (formerly 1&1 UK Holdings Ltd.)	100.00	75,185	229
1&1 Logistik GmbH, Montabaur (2) (3)	100.00	25	0
1&1 Mail & Media Development & Technology GmbH, Montabaur (1)	100.00	1,748	0
1&1 Mail & Media GmbH, Montabaur (1)	100.00	212,665	0
1&1 Mail & Media Inc., Chesterbrook/USA	100.00	16,152	-921
1&1 Mail & Media Service GmbH, Montabaur (1)	100.00	25	0
1&1 Telecom GmbH, Montabaur (2) (3)	100.00	1,143	0
1&1 Telecom Holding GmbH, Montabaur (2) (3)	100.00	1,752,964	0
1&1 Telecom Sales GmbH, Montabaur (2) (3)	100.00	25	0
1&1 Telecom Service Montabaur GmbH, Montabaur (2) (3)	100.00	52	0
1&1 Telecom Service Zweibrücken GmbH, Zweibrücken (2) (3)	100.00	25	0
1&1 Telecommunication SE, Montabaur (2) (3)	100.00	638,357	0
1&1 Versatel Deutschland GmbH, Düsseldorf (5)	100.00	306,431	0
1&1 Versatel GmbH, Berlin (6)	100.00	141,745	0
A1 Marketing, Kommunikation und neue Medien GmbH, Montabaur (1)	100.00	1,152	0
A1 Media USA LLC, Chesterbrook/USA (4)	100.00	188	-6
Arsys Internet E.U.R.L., Perpignan/France (4)	100.00	146	4
Arsys Internet S.L.U., Logroño/Spain (4)	100.00	94,605	5,488
AZ.pl Sp. z o.o., Stettin/Poland (4)	100.00	24	706
Blitz 17-665 SE, Munich (2) (3)	100.00	120	0
Blitz 17-666 SE, Munich (2) (3)	100.00	120	0
CA BG AlphaPi AG, Vienna/Austria	100.00	13	-32
Cronon AG, Berlin (4) (8)	100.00	170	7
Domain Robot Enterprises Inc., Vancouver/Canada (4) (11) (19)	100.00	0	0
DomCollect International GmbH, Montabaur (4) (9)	100.00	25	0
DomCollect Worldwide Intellectual Property AG, Zug/Switzerland (4) (12) (13)	100.00	249	-3
DP ASIA Sp. z o.o., Stettin/Poland (4) (11)	100.00	1	0
DP EUROPE Sp. z o.o., Stettin/Poland (4) (11)	100.00	1	0
DP POLAND Sp. z o.o., Stettin/Poland (4) (11)	100.00	1	0
Drillisch Logistik GmbH, Münster (3)	100.00	17,034	-5,316
Drillisch Netz AG, Krefeld (2) (3)	100.00	944	0
Drillisch Online GmbH, Maintal (2) (3)	100.00	145,699	0
Fasthosts Internet Inc., Chesterbrook/USA (4) (12)	100.00	-343	0
Fasthosts Internet Ltd., Gloucester/UK (4)	100.00	16,506	8,420
General Media Xervices GMX S.L., Madrid/Spain (12)	100.00	0	0
GMX Italia S.r.l., Milan/Italy (12)	100.00	0	0
HBS Cloud Sp. z o.o., Stettin/Poland (4)	100.00	43	0
home.pl S.A., Stettin/Poland (4)	100.00	35,196	11,081
Immobilienverwaltung AB GmbH, Montabaur (4)	100.00	459	59
Immobilienverwaltung NMH GmbH, Montabaur (4)	100.00	933	-76
InterNetX Corp., Miami/USA (4)	100.00	-70	-9
InterNetX GmbH, Regensburg (4) (9)	100.00	4,469	0

IQ-optimize Software AG, Maintal (2) (3)	100.00	87	0
Mobile Ventures GmbH, Maintal (3)	100.00	405	-619
Nicline Internet S.L., Logroño/Spain (4)	100.00	548	7
PSI USA, Inc., Las Vegas/USA (4)	100.00	617	116
Schlund Technologies GmbH, Regensburg (4) (9)	100.00	25	0
Sedo GmbH, Cologne (4) (9)	100.00	13,428	0
Sedo.com LLC, Cambridge/USA (4)	100.00	3,437	982
STRATO AG, Berlin (4) (8)	100.00	12,420	-275
STRATO Customer Service GmbH, Berlin (4)	100.00	310	110
Tesys Internet S.L., Logroño/Spain (4)	100.00	1,289	89
TROPOLYS Netz GmbH, Düsseldorf	100.00	-32,667	-13
TROPOLYS Service GmbH, Düsseldorf	100.00	-20,277	-10
United Domains Inc., Cambridge/USA (4)	100.00	425	-4
United Internet Media Austria GmbH, Vienna/Austria	100.00	593	330
United Internet Media GmbH, Montabaur (1)	100.00	50	0
United Internet Sourcing & Aprenticeship GmbH, Montabaur (1)	100.00	26	1
united-domains AG, Starnberg (4)	100.00	11,776	11,344
united-domains Reselling GmbH, Starnberg (4) (10)	100.00	25	0
Versatel Immobilien Verwaltungs GmbH, Düsseldorf	100.00	-4,019	-2
World4You Internet Services GmbH, Linz/Austria (4)	100.00	5,738	2,592
InterNetX Holding GmbH, Regensburg (4) (16)	95.56	16,894	6,262
premium.pl Sp. z o.o., Stettin/Poland (4) (18)	75.00	232	74
DomainsBot S.r.l, Rome/Italy (4)	49.00	447	125
Intellectual Property Management Company Inc., Dover (Delaware)/USA (4)	49.00	242	74
rankingCoach International GmbH, Cologne	30.70		
Tele Columbus AG, Berlin	29.90		
uberall GmbH, Berlin	27.42		
Open-Xchange AG, Cologne	25.39		
ePages GmbH, Hamburg	25.01		
AWIN AG, Berlin	20.00		
Afilias plc, Dublin/Ireland (4)	< 20,00	-	-
MMC Investments Holding Company Ltd., Port Louis/Mauritius	< 20,00	-	-
PipesBox GmbH, Rostock	< 20,00	-	-

(1) profit transfer to United Internet AG (direct/indirect)
(2) profit transfer to 1&1 Drillisch AG (direct/indirect)
(3) held directly/indirectly via 1&1 Drillisch AG, Maintal
(4) held directly/indirectly via 1&1 IONOS TopCo SE, Montabaur
(5) profit transfer to 1&1 Versatel GmbH (direct/indirect)
(6) loss assumption by United Internet Service Holding GmbH
(7) loss assumption by 1&1 IONOS TopCo SE
(8) profit transfer to 1&1 IONOS Holding SE (direct/indirect)
(9) profit transfer to InterNetX Holding GmbH (direct/indirect)
(10) profit transfer to united-domains AG
(11) no operating business
(12) in liquidation
(13) 0.002% via trustee
(14) United Internet Corporate Services GmbH (1.00%)
(15) Hüseyin Dogan (0.008%), Matthias Steinberg (0.008%), Debra Sitoy (0.008%), Gary A. Sancio (0.008%), Ernesto Cadino (0.008%)
(16) Hakan Ali (2.96%), Thomas Mörz (1.48%)
(17) thereof 99.998% personally liable partner (general partner) UI AG and thereof 0.002% limited partner UICS GmbH
(18) Przemyslaw Pawel Bojczuk (25.00%)
(19) includes consolidated DomainsBot Inc., Dover/USA

Publication of voting right announcements acc. to Sec. 26 WpHG

Publication on December 22, 2009

In accordance with Sec. 21 (1) WpHG, Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft, Montabaur, Germany, has informed us that its proportion of voting rights in United Internet AG, Montabaur, exceeded the threshold of 30% due to a reduction in the total number of voting rights as of December 21, 2009, and amounted to 31.00% on this day (74,400,000 voting rights). Of this amount, 1.67% of voting rights (4,000,000 voting rights) are attributable to Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft according to Sec. 22 (1) Sentence 1 No. 1 WpHG.

In accordance with Sec. 21 (1) WpHG, Ralph Dommermuth Verwaltungs GmbH, Montabaur, Germany, has informed us that its proportion of voting rights in United Internet AG, Montabaur, exceeded the threshold of 30% due to a reduction in the total number of voting rights as of December 21, 2009, and amounted to 31.00% on this day (74,400,000 voting rights). Of this amount, 31.00% of voting rights (74,000,000 voting rights) are attributable to Ralph Dommermuth Verwaltungs GmbH according to Sec. 22 (1) Sentence 1 No. 1 WpHG. Voting rights attributed to Ralph Dommermuth Verwaltungs GmbH are held by the following companies it controls, whose voting rights in United Internet AG amounted to 3% or more: Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft.

Publication on March 26, 2013

On March 22, 2013, RD Holding-Verwaltungs GmbH, Montabaur, Germany, informed us according to Sec. 21 (1) WpHG of the following:

In accordance with Sec. 21 (1) WpHG, we hereby inform you that the voting rights of RD Holding-Verwaltungs GmbH, Montabaur, Germany, in United Internet AG, Elgendorfer Str. 57, 56410 Montabaur, Germany, exceeded the 5%, 10%, 15%, 20%, 25% and 30% thresholds on March 21, 2013 and on this day amount to 45.36% (88,000,000 voting rights). According to Sec. 22 (1) Sentence 1 No. 1 WpHG, 4.12% (8,000,000 voting rights) are attributable to RD Holding-Verwaltungs GmbH and according to Sec. 22 (2) WpHG 41.24% (80,000,000 voting rights) are attributable. The name of the company it controls, of which 3% or more are attributed, is as follows:

- RD Holding GmbH & Co. KG.

The name of the shareholder whose shares are attributed 3% or more is as follows:

- Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft.

On March 22, 2013, RD Holding GmbH & Co. KG, Montabaur, Germany, informed us according to Sec. 21 (1) WpHG of the following:

In accordance with Sec. 21 (1) WpHG, we hereby inform you that the voting rights of RD Holding GmbH & Co. KG, Montabaur, Germany, in United Internet AG, Elgendorfer Str. 57, 56410 Montabaur, Germany, exceeded the 5%, 10%, 15%, 20%, 25% and 30% thresholds on March 21, 2013 and on this day amount to 45.36% (88,000,000 voting rights). According to Sec. 22 (2), 41.24% (80,000,000 voting rights) are attributable to RD Holding GmbH & Co. KG. Voting rights are attributable to the following shareholder whose voting rights in United Internet AG exceed 3%:

- Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft.

On March 22, 2013, RD Holding-Verwaltungs GmbH, Montabaur, Germany, informed us according to Sec. 27a (1) WpHG of the following in connection with the exceeding or reaching of the 10% threshold or a higher threshold on March 21, 2013:

Objectives of purchasing the voting rights (Sec. 27a (1) Sentence 1 and Sentence 3 WpHG)

The acquisition was made by attribution in the course of an internal restructuring and serves neither the implementation of strategic objectives nor the generation of trading profits.

RD Holding-Verwaltungs GmbH does not intend to acquire further voting rights in United Internet AG via purchase or other means within the next twelve months.

RD Holding-Verwaltungs GmbH is not seeking to influence the composition of administrative, management or supervisory bodies of United Internet AG.

RD Holding-Verwaltungs GmbH is not seeking to significantly alter the company's capital structure, especially with regard to the ratio between equity and debt or its dividend policy.

Source of funds used for voting rights (Sec. 27a (1) Sentence 1 and Sentence 4 WpHG)

The acquisition of voting rights was made by attribution acc. to Sec. 22 (1) Sentence 1 No. 1 WpHG as well as Sec. 22 (2) WpHG. With regard to the purchase of voting rights in United Internet AG, no equity or debt was therefore used.

On March 22, 2013, RD Holding GmbH & Co. KG, Montabaur, Germany informed us according to Sec. 27a (1) WpHG of the following in connection with the exceeding or reaching of the 10% threshold or a higher threshold on March 21, 2013:

1. Objectives of purchasing the voting rights (Sec. 27a Abs. 1 Sentence 1 and Sentence 3 WpHG)

a- The acquisition was made by attribution in the course of an internal restructuring and serves neither the implementation of strategic objectives nor the generation of trading profits.

b- RD Holding GmbH & Co. KG does not intend to acquire further voting rights in United Internet AG via purchase or other means within the next twelve months.

c- RD Holding GmbH & Co. KG is not seeking to influence the composition of administrative, management or supervisory bodies of United Internet AG.

d- RD Holding GmbH & Co. KG is not seeking to significantly alter the company's capital structure, especially with regard to the ratio between equity and debt or its dividend policy.

2. Source of funds used for voting rights (Sec. 27a (1) Sentence 1 and Sentence 4 WpHG)

The acquisition of voting rights was made by attribution acc. to Sec. 22 (1) Sentence 1 No. 1 WpHG as well as Sec. 22 (2) WpHG. With regard to the purchase of voting rights in United Internet AG, no equity or debt was therefore used.

Publication on November 11, 2013

On November 4, 2013, Mr. Ralph Dommermuth, Germany, informed us according to Sec. 21 (1) of the WpHG that via shares his voting rights in United Internet AG, Montabaur, Germany, exceeded the 50% threshold of voting rights on October 18, 2011 and on that day amounted to 50.25% (corresponding to 108,029,511 voting rights of a total of 215,000,000 voting rights). Of this total, 42.06% of voting rights (corresponding to 90,429,511 voting rights) were attributable to him acc. to Sec. 22 (1), Sentence 1, No. 1 WpHG.

- Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft
- Ralph Dommermuth Verwaltungs GmbH
- United Internet AG

On November 4, 2013, Mr. Ralph Dommermuth, Germany, informed us according to Sec. 21 (1) of the WpHG that via shares his voting rights in United Internet AG, Montabaur, Germany, fell below the 50% threshold of voting rights on January 8, 2013 and on that day amounted to 46.83% (corresponding to 93,662,202 voting rights of a total of 200,000,000). Of this total, 46.83% of voting rights (corresponding to 93,662,202 voting rights) were attributable to him acc. to Sec. 22 (1), Sentence 1, No. 1 WpHG. The attributed voting rights are held by the following companies which he controls, whose share of voting rights in United Internet AG is equal to or more than 3%:

- Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft
- Ralph Dommermuth Verwaltungs GmbH
- RD Holding GmbH & Co. KG - RD Holding-Verwaltungs GmbH

Publication of voting right announcements acc. to Sec. 26a WpHG

Publication of total voting rights as of September 30, 2014:
United Internet AG hereby notifies that the total number of voting rights at the end of September 2014 amounted to 205,000,000.

Publication on January 21, 2019

United Internet AG: Release according to Article 40, Section 1 of the WpHG [the German Securities Trading Act] with the objective of Europe-wide distribution

Notification of Major Holdings

1. Details of issuer

Name:	United Internet AG
Street:	Elgendorfer Straße 57
Postal code:	56410
City:	Montabaur Germany
Legal Entity Identifier (LEI):	3VEKWPJHTD4NKMBVG947

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change of breakdown of voting rights
	Other reason:

3. Details of person subject to the notification obligation

Legal entity: Allianz Global Investors GmbH City of registered office, country: Frankfurt/Main, Germany

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached:

17 Jan 2019

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	Total of both in % (7.a. + 7.b.)	Total number of voting rights pursuant to Sec. 41 WpHG
New	5.12 %	0.40 %	5.52 %	205000000
Previous notification	4.90 %	0.40 %	5.30 %	/

7. Details on total positions
a. Voting rights attached to shares (Sec. 33, 34 WpHG)

ISIN	Absolute	In %

	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)
DE0005089031		10496240	%	5.12 %
Total	10496240		5.12 %	

b.1. Instruments according to Sec. 38 (1) no. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		%

b.2. Instruments according to Sec. 38 (1) no. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
Contract for Difference	n/a	n/a	Cash	24521	0.01 %
Put Option	15.03.2019	n/a	Physical	798000	0.39 %
			Total	822521	0.40 %

8. Information in relation to the person subject to the notification obligation

	Person subject to the notification obligation is not controlled nor does it control any other undertaking(s) that directly or indirectly hold(s) an interest in the (underlying) issuer (1.).
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more)	% of voting rights through instruments (if at least 5% or more)	Total of both (if at least 5% or more)
Allianz SE	%	%	%
Allianz Asset Management GmbH	%	%	%
Allianz Global Investors GmbH	5.12 %	%	5.52 %

9. In case of proxy voting according to Sec. 34 para. 3 WpHG
(only in case of attribution of voting rights in accordance with Sec. 34 para. 1 sent. 1 No. 6 WpHG)

Date of general meeting:
Holding total positions after general meeting (6.) after annual general meeting:

Proportion of voting rights	Proportion of instruments	Total of both
%	%	%

10. Other explanatory remarks:

Date

21 Jan 2019

Publication on August 21, 2019

United Internet AG: Release according to Article 40, Section 1 of the WpHG [the German Securities Trading Act] with the objective of Europe-wide distribution

Notification of Major Holdings

1. Details of issuer

Name:	United Internet AG
Street:	Elgendorfer Straße 57
Postal code:	56410
City:	Montabaur Germany
Legal Entity Identifier (LEI):	3VEKWPJHTD4NKMBVG947

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change of breakdown of voting rights
	Other reason:

3. Details of person subject to the notification obligation

Legal entity: Flossbach von Storch SICAV City of registered office, country: Luxembourg, Luxembourg

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached:

15 Aug 2019

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	Total of both in % (7.a. + 7.b.)	Total number of voting rights pursuant to Sec. 41 WpHG
New	3.19 %	0.00 %	3.19 %	205000000
Previous notification	n/a %	n/a %	n/a %	/

7. Details on total positions
a. Voting rights attached to shares (Sec. 33, 34 WpHG)

ISIN	Absolute	In %

	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)
DE0005089031	6549681	0	3.19 %	0.00 %
Total	6549681		3.19 %	

b.1. Instruments according to Sec. 38 (1) no. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
			0	0.00 %
		Total	0	0.00 %

b.2. Instruments according to Sec. 38 (1) no. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
				0	0.00 %
			Total	0	0.00 %

8. Information in relation to the person subject to the notification obligation

X	Person subject to the notification obligation is not controlled nor does it control any other undertaking(s) that directly or indirectly hold(s) an interest in the (underlying) issuer (1.).
	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more)	% of voting rights through instruments (if at least 5% or more)	Total of both (if at least 5% or more)

9. In case of proxy voting according to Sec. 34 para. 3 WpHG
(only in case of attribution of voting rights in accordance with Sec. 34 para. 1 sent. 1 No. 6 WpHG)

Date of general meeting:
Holding total positions after general meeting (6.) after annual general meeting:

Proportion of voting rights	Proportion of instruments	Total of both
%	%	%

10. Other explanatory remarks:

Date

20 Aug 2019

Publication on September 06, 2019

United Internet AG: Release according to Article 40, Section 1 of the WpHG [the German Securities Trading Act] with the objective of Europe-wide distribution

Notification of Major Holdings

1. Details of issuer

Name:	United Internet AG
Street:	Elgendorfer Straße 57
Postal code:	56410
City:	Montabaur Germany
Legal Entity Identifier (LEI):	3VEKWPJHTD4NKMBVG947

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change of breakdown of voting rights
	Other reason:

3. Details of person subject to the notification obligation

Legal entity: DWS Investment GmbH City of registered office, country: Frankfurt am Main, Germany

4. Names of shareholder(s)

holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached:

03 Sep 2019

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	Total of both in % (7.a. + 7.b.)	Total number of voting rights pursuant to Sec. 41 WpHG
New	2.99 %	0.00 %	2.99 %	205000000
Previous notification	3.18 %	0.00 %	3.18 %	/

7. Details on total positions

a. Voting rights attached to shares (Sec. 33, 34 WpHG)

ISIN	Absolute	In %

	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)
DE0005089031	0	6139568	0.00 %	2.99 %
Total	6139568		2.99 %	

b.1. Instruments according to Sec. 38 (1) no. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
			0	0.00 %
		Total	0	0.00 %

b.2. Instruments according to Sec. 38 (1) no. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
				0	0.00 %
			Total	0	0.00 %

8. Information in relation to the person subject to the notification obligation

X	Person subject to the notification obligation is not controlled nor does it control any other undertaking(s) that directly or indirectly hold(s) an interest in the (underlying) issuer (1.).
	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more)	% of voting rights through instruments (if at least 5% or more)	Total of both (if at least 5% or more)

9. In case of proxy voting according to Sec. 34 para. 3 WpHG
(only in case of attribution of voting rights in accordance with Sec. 34 para. 1 sent. 1 No. 6 WpHG)

Date of general meeting:
Holding total positions after general meeting (6.) after annual general meeting:

Proportion of voting rights	Proportion of instruments	Total of both
%	%	%

10. Other explanatory remarks:

Date

05 Sep 2019

Publication on October 31, 2019

United Internet AG: Release according to Article 40, Section 1 of the WpHG [the German Securities Trading Act] with the objective of Europe-wide distribution

Notification of Major Holdings

1. Details of issuer

Name:	United Internet AG
Street:	Elgendorfer Straße 57
Postal code:	56410
City:	Montabaur Germany
Legal Entity Identifier (LEI):	3VEKWPJHTD4NKMBVG947

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change of breakdown of voting rights
	Other reason:

3. Details of person subject to the notification obligation

Legal entity: The Capital Group Companies, Inc.
City of registered office, country: Los Angeles, California, United States of America (USA)

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached:

29 Oct 2019

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	Total of both in % (7.a. + 7.b.)	Total number of voting rights pursuant to Sec. 41 WpHG
New	2.93 %	0 %	2.93 %	205000000
Previous notification	3.05 %	0 %	3.05 %	/

7. Details on total positions
a. Voting rights attached to shares (Sec. 33, 34 WpHG)

ISIN	Absolute	In %

	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)
DE0005089031	0	6014682	0 %	2.93 %
Total	6014682		2.93 %	

b.1. Instruments according to Sec. 38 (1) no. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		%

b.2. Instruments according to Sec. 38 (1) no. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
					%
			Total		%

8. Information in relation to the person subject to the notification obligation

	Person subject to the notification obligation is not controlled nor does it control any other undertaking(s) that directly or indirectly hold(s) an interest in the (underlying) issuer (1.).
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more)	% of voting rights through instruments (if at least 5% or more)	Total of both (if at least 5% or more)
The Capital Group Companies, Inc.	%	%	%
Capital Research and Management Company	%	%	%

9. In case of proxy voting according to Sec. 34 para. 3 WpHG
(only in case of attribution of voting rights in accordance with Sec. 34 para. 1 sent. 1 No. 6 WpHG)

Date of general meeting:
Holding total positions after general meeting (6.) after annual general meeting:

Proportion of voting rights	Proportion of instruments	Total of both
%	%	%

10. Other explanatory remarks:

Date

31 Oct 2019

Publication on November 14, 2019

United Internet AG: Release according to Article 40, Section 1 of the WpHG [the German Securities Trading Act] with the objective of Europe-wide distribution

Notification of Major Holdings

1. Details of issuer

Name:	United Internet AG
Street:	Elgendorfer Straße 57
Postal code:	56410
City:	Montabaur Germany
Legal Entity Identifier (LEI):	3VEKWPJHTD4NKMBVG947

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change of breakdown of voting rights
	Other reason:

3. Details of person subject to the notification obligation

Legal entity: BlackRock, Inc.
City of registered office, country: Wilmington, Delaware, United States of America (USA)

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached:

08 Nov 2019

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	Total of both in % (7.a. + 7.b.)	Total number of voting rights pursuant to Sec. 41 WpHG
New	2.998 %	0.48 %	3.48 %	205000000
Previous notification	3.002 %	0.42 %	3.42 %	/

7. Details on total positions
a. Voting rights attached to shares (Sec. 33, 34 WpHG)

ISIN	Absolute	In %

	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)
DE0005089031	0	6144878	0 %	2.998 %
Total	6144878		2.998 %	

b.1. Instruments according to Sec. 38 (1) no. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
Lent Securities (right to recall)	N/A	N/A	958033	0.47 %
		Total	958033	0.47 %

b.2. Instruments according to Sec. 38 (1) no. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
Contract for Difference	N/A	N/A	Cash	20850	0.01 %
			Total	20850	0.01 %

8. Information in relation to the person subject to the notification obligation

	Person subject to the notification obligation is not controlled nor does it control any other undertaking(s) that directly or indirectly hold(s) an interest in the (underlying) issuer (1.).
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more)	% of voting rights through instruments (if at least 5% or more)	Total of both (if at least 5% or more)
BlackRock, Inc.	%	%	%
Trident Merger LLC	%	%	%
BlackRock Investment Management, LLC	%	%	%
-	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
-	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%

BlackRock Capital Holdings, Inc.	%	%	%
BlackRock Advisors, LLC	%	%	%
-	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock Holdco 4, LLC	%	%	%
BlackRock Holdco 6, LLC	%	%	%
BlackRock Delaware Holdings Inc.	%	%	%
-	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock (Singapore) Holdco Pte. Ltd.	%	%	%
BlackRock (Singapore) Limited	%	%	%
-	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock Holdco 4, LLC	%	%	%
BlackRock Holdco 6, LLC	%	%	%
BlackRock Delaware Holdings Inc.	%	%	%
BlackRock Fund Advisors	%	%	%
-	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock Holdco 4, LLC	%	%	%
BlackRock Holdco 6, LLC	%	%	%
BlackRock Delaware Holdings Inc.	%	%	%
BlackRock Institutional Trust Company, National Association	%	%	%
-	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management,	%	%	%

Inc.			
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Australia Holdco Pty. Ltd.	%	%	%
BlackRock Investment Management (Australia) Limited	%	%	%
-	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock (Singapore) Holdco Pte. Ltd.	%	%	%
BlackRock HK Holdco Limited	%	%	%
BlackRock Asset Management North Asia Limited	%	%	%
-	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Holdco 3, LLC	%	%	%
BlackRock Canada Holdings LP	%	%	%
BlackRock Canada Holdings ULC	%	%	%
BlackRock Asset Management Canada Limited	%	%	%
-	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock (Singapore) Holdco Pte. Ltd.	%	%	%
BlackRock HK Holdco Limited	%	%	%

BlackRock Lux Finco S. a r.l.	%	%	%
BlackRock Japan Holdings GK	%	%	%
BlackRock Japan Co., Ltd.	%	%	%
-	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Holdco 3, LLC	%	%	%
BlackRock Cayman 1 LP	%	%	%
BlackRock Cayman West Bay Finco Limited	%	%	%
BlackRock Cayman West Bay IV Limited	%	%	%
BlackRock Group Limited	%	%	%
BlackRock International Limited	%	%	%
-	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Holdco 3, LLC	%	%	%
BlackRock Cayman 1 LP	%	%	%
BlackRock Cayman West Bay Finco Limited	%	%	%
BlackRock Cayman West Bay IV Limited	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Finance Europe Limited	%	%	%
BlackRock (Netherlands) B.V.	%	%	%
-	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%

BlackRock Holdco 3, LLC	%	%	%
BlackRock Cayman 1 LP	%	%	%
BlackRock Cayman West Bay Finco Limited	%	%	%
BlackRock Cayman West Bay IV Limited	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Finance Europe Limited	%	%	%
BlackRock Advisors (UK) Limited	%	%	%
-	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Holdco 3, LLC	%	%	%
BlackRock Cayman 1 LP	%	%	%
BlackRock Cayman West Bay Finco Limited	%	%	%
BlackRock Cayman West Bay IV Limited	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Luxembourg Holdco S.a.r.l.	%	%	%
BlackRock (Luxembourg) S.A.	%	%	%
-	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Holdco 3, LLC	%	%	%
BlackRock Cayman 1 LP	%	%	%
BlackRock Cayman West Bay Finco Limited	%	%	%
BlackRock Cayman West Bay IV Limited	%	%	%
BlackRock Group Limited	%	%	%
BlackRock International Limited	%	%	%
BlackRock Life Limited	%	%	%

-	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Holdco 3, LLC	%	%	%
BlackRock Cayman 1 LP	%	%	%
BlackRock Cayman West Bay Finco Limited	%	%	%
BlackRock Cayman West Bay IV Limited	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Finance Europe Limited	%	%	%
BlackRock Investment Management (UK) Limited	%	%	%
-	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Holdco 3, LLC	%	%	%
BlackRock Cayman 1 LP	%	%	%
BlackRock Cayman West Bay Finco Limited	%	%	%
BlackRock Cayman West Bay IV Limited	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Luxembourg Holdco S.a.r.l.	%	%	%
BlackRock Investment Management Ireland Holdings Limited	%	%	%
BlackRock Asset Management Ireland Limited	%	%	%
-	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%

BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Holdco 3, LLC	%	%	%
BlackRock Cayman 1 LP	%	%	%
BlackRock Cayman West Bay Finco Limited	%	%	%
BlackRock Cayman West Bay IV Limited	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Luxembourg Holdco S.a.r.l.	%	%	%
BlackRock UK Holdco Limited	%	%	%
BlackRock Asset Management Schweiz AG	%	%	%
-	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Holdco 3, LLC	%	%	%
BlackRock Cayman 1 LP	%	%	%
BlackRock Cayman West Bay Finco Limited	%	%	%
BlackRock Cayman West Bay IV Limited	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Finance Europe Limited	%	%	%
BlackRock Investment Management (UK) Limited	%	%	%
BlackRock Fund Managers Limited	%	%	%
-	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Holdco 3, LLC	%	%	%
BlackRock Cayman 1 LP	%	%	%

BlackRock Cayman West Bay Finco Limited	%	%	%
BlackRock Cayman West Bay IV Limited	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Finance Europe Limited	%	%	%
BlackRock Investment Management (UK) Limited	%	%	%
BlackRock Asset Management Deutschland AG	%	%	%
-	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Holdco 3, LLC	%	%	%
BlackRock Cayman 1 LP	%	%	%
BlackRock Cayman West Bay Finco Limited	%	%	%
BlackRock Cayman West Bay IV Limited	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Finance Europe Limited	%	%	%
BlackRock Investment Management (UK) Limited	%	%	%
BlackRock Asset Management Deutschland AG	%	%	%
iShares (DE) I Investmentaktiengesellschaft mit Teilgesellschaftsvermögen	%	%	%
-	%	%	%

9. In case of proxy voting according to Sec. 34 para. 3 WpHG
(only in case of attribution of voting rights in accordance with Sec. 34 para. 1 sent. 1 No. 6 WpHG)

Date of general meeting:
Holding total positions after general meeting (6.) after annual general meeting:

Proportion of voting rights	Proportion of instruments	Total of both
%	%	%

10. Other explanatory remarks:

Date
13 Nov 2019

Publication on December 27, 2019

United Internet AG: Release according to Article 40, Section 1 of the WpHG [the German Securities Trading Act] with the objective of Europe-wide distribution

Publication of acquisition or disposal in respect of own shares

1. Details of issuer

United Internet AG
Elgendorfer Straße 57
56410 Montabaur
Germany

2. Names of subsidiary undertakings or third persons
holding directly 3% or more shares, if different from 1.

3. Date on which threshold was crossed or reached

27 Dec 2019

4. Share-position

	Share-position in %	total amount of shares issued
Resulting situation	8.46 %	205000000
Previous publication	3.06 %	/

5. Details

absolute		in %	
direct	indirect (via subsidiary or third person, Sec. 71d para. 1 AktG)	direct	indirect (via subsidiary or third person, Sec. 71d para. 1 AktG)
17338513		8.46 %	%

27.12.2019 The DGAP Distribution Services include Regulatory Announcements, Financial/Corporate News and Press Releases.
Archive at www.dgap.de

Language:	English
Company:	United Internet AG Elgendorfer Straße 57 56410 Montabaur Germany
Internet:	www.united-internet.de

End of News DGAP News Service

Publication on December 31, 2019

United Internet AG: Release according to Article 40, Section 1 of the WpHG [the German Securities Trading Act] with the objective of Europe-wide distribution

Notification of Major Holdings

1. Details of issuer

Name:	United Internet AG
Street:	Elgendorfer Straße 57
Postal code:	56410
City:	Montabaur Germany
Legal Entity Identifier (LEI):	3VEKWPJHTD4NKMBVG947

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change of breakdown of voting rights
	Other reason:

3. Details of person subject to the notification obligation

Legal entity: Rocket Internet SE City of registered office, country: Berlin, Germany

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached:

27 Dec 2019

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	Total of both in % (7.a. + 7.b.)	Total number of voting rights pursuant to Sec. 41 WpHG
New	1.83 %	0.00 %	1.83 %	205000000
Previous notification	5.46 %	0.00 %	5.46 %	/

7. Details on total positions
a. Voting rights attached to shares (Sec. 33, 34 WpHG)

ISIN	Absolute	In %

	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)
DE0005089031	3748196		1.83 %	%
Total	3748196		1.83 %	

b.1. Instruments according to Sec. 38 (1) no. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		%

b.2. Instruments according to Sec. 38 (1) no. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
					%
			Total		%

8. Information in relation to the person subject to the notification obligation

X	Person subject to the notification obligation is not controlled nor does it control any other undertaking(s) that directly or indirectly hold(s) an interest in the (underlying) issuer (1.).
	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more)	% of voting rights through instruments (if at least 5% or more)	Total of both (if at least 5% or more)

9. In case of proxy voting according to Sec. 34 para. 3 WpHG
(only in case of attribution of voting rights in accordance with Sec. 34 para. 1 sent. 1 No. 6 WpHG)

Date of general meeting:
Holding total positions after general meeting (6.) after annual general meeting:

Proportion of voting rights	Proportion of instruments	Total of both
%	%	%

10. Other explanatory remarks:

Date

30 Dec 2019

Independent auditor's report

Report on the audit of the annual financial statements and of the management report of the Company and the Group

Opinions

We have audited the annual financial statements of United Internet AG, Montabaur, which comprise the balance sheet as at 31 December 2019, and the income statement for the fiscal year from 1 January to 31 December 2019, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of the Company and the Group of United Internet AG, for the fiscal year from 1 January to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance contained in section 7 of the management report of the Company and the Group that is a part of the management report of the Company and the Group. Further, we have not audited the following extraneous information contained in the management report of the Company and the Group:

- All information and comments relating to "Research and development" contained in section 1.4 of the management report of the Company and the Group

- The quarterly ratios at group and segment level as at 31 March, 30 June and 30 September in the reporting period and the prior year contained in sections 2.2 and 2.3 of the management report of the Company and the Group

- The report on social commitment and green IT contained in section 2.5 of the management report of the Company and the Group

- The corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code contained in section 7 of the management report of the Company and the Group

Extraneous information relates to any information whose disclosure in the management report of the Company and the Group is not required pursuant to Secs. 289, 289a or Secs. 289b to 285f HGB ["Handelsgesetzbuch": German Commercial Code].

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2019 and of its financial performance for the fiscal year from 1 January to 31 December 2019 in compliance with German legally required accounting principles, and

- the accompanying management report of the Company and the Group as a whole provides an appropriate view of the Company's position. In all material respects, this management report of the Company and the Group is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report of the Company and the Group does not cover the content of the aforementioned statement on corporate governance or the aforementioned extraneous information in sections 1.4, 2.2, 2.3, 2.5 and 7 of the management report of the Company and the Group.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report of the Company and the Group.

Basis for the opinions

We conducted our audit of the annual financial statements and of the management report of the Company and the Group in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report of the Company and the Group" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report of the Company and the Group.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

Impairment of financial assets

Reasons why the matter was determined to be a key audit matter

The financial assets presented in the financial statements of United Internet AG amount to 95% of total assets and comprise shares in affiliated companies and loans to affiliated companies. The executive directors tested the shares in and loans to affiliated companies for impairment as of the reporting date, consulting an external expert in the process. The impairment test of shares in and loans to affiliated companies is based on the historical experience of each entity and the expectations as to their future development. These expectations are based on many assumptions, which means that judgment is used to determine the net realizable values. In light of this and in view of the significance for the asset, liabilities and financial performance of United Internet AG, the impairment of financial assets was key audit matter.

Auditor's response

As part of our audit procedures, we assessed the competence, capabilities and objectivity of the expert consulted by the executive directors, obtained an understanding of the expert's work and assessed the suitability of the expert opinion commissioned by the executive directors for testing the impairment of the financial assets as audit evidence. We also assessed the valuations by United Internet AG and the expert with the aid of our internal valuation specialists with regard to the methodology used and checked whether the underlying business plans used for the valuations are consistent with the budget figures approved by the executive directors. In addition, we analyzed further assumptions and estimates subject to judgment (such as growth rates or cost of capital) used to determine the fair values of the financial assets to determine whether they are consistent with general and industry-specific market expectations. Furthermore, we checked the clerical accuracy of the models.

Our audit procedures did not lead to any reservations relating to the assessment of impairment of the financial assets by the executive directors.

Reference to related disclosures

The Company's information on the impairment of financial assets is contained in the section "Accounting and measurement principles" and in the section "Financial assets" in the notes to the financial statements.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board pursuant to Sec. 171 (2) AktG ["Aktiengesetz": German Stock Corporation Act]. In all other respects, the executive directors are responsible for the other information. The other information comprises the aforementioned statement on corporate governance and the aforementioned extraneous information contained in sections 1.4, 2.2, 2.3, 2.5 and 7 of the management report of the Company and the Group and in addition the following other parts to be included in the annual report, of which we received a version prior to issuing this auditor's report, in particular:

- the “Letter to our shareholders” section,

- the Report of the Supervisory Board pursuant to Sec. 171 (2) AktG,

- the responsibility statement pursuant to Sec. 297 (2) Sentence 4 HGB, Sec. 289 (1) Sentence 5 and Sec. 315 (1) Sentence 5 HGB,

- the non-financial report pursuant to Sec. 289c HGB,

but not the annual financial statements, not the disclosures in the management report of the Company and the Group whose content is audited and not our auditor’s report thereon.

Our opinions on the annual financial statements and on the management report of the Company and the Group do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report of the Company and the Group or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report with regard to the other information already provided to us.

Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report of the Company and the Group

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report of the Company and the Group that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report of the Company and the Group that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report of the Company and the Group.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report of the Company and the Group.

Auditor's responsibilities for the audit of the annual financial statements and of the management report of the Company and the Group

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report of the Company and the Group as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report of the Company and the Group.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report of the Company and the Group.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report of the Company and the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report of the Company and the Group in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report of the Company and the Group or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

- Evaluate the consistency of the management report of the Company and the Group with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report of the Company and the Group. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor by the Annual Shareholders' Meeting on 23 May 2019. We were engaged by the Supervisory Board on 14 August 2019. We have been the auditor of United Internet AG without interruption since fiscal year 2002.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Jens Kemmerich.

Eschborn/Frankfurt am Main, 24 March 2020

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Kemmerich	**Jansen**
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Management Report and Group Management Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Montabaur, March 23, 2020

Board of Management

Ralph Dommermuth

Frank Krause

United Internet AG

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Germany

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