6-Month Report

2013

united internet

Selected key figures acc. to IFRS

	2013 January – June	2012 January – June
Result (without special items* in € million)		
Sales	1,283.0	1.163. 5
EBITDA	175.1	148.6
EBIT	129.4	103.7
EBT	121.4	95.8
EPS (in €)	0.43	0.32
Cash flow (in € million)		
Operative cash flow	118.5	95.2
Net cash inflows from operating activities	109.4	107.8
Net cash outflows from investing activities	26.5	14.9
Free cash flow	82.9	92.9
Employees at the end of June		
Germany	5,108	4,641
Abroad	1,382	1,331
Total	6,490	5,972
Share (in €)		
Share price at end of June (Xetra)	21.69	13.55

	June 30, 2013	Dec. 31, 2012**
Access contracts, total (in million)	5.17	4.72
of which Mobile Internet	1.74	1.41
of which DSL complete (ULL)	2.99	2.79
of which T-DSL / R-DSL	0.44	0.52
Business Applications, total contracts (in million)	5.38	5.20
of which “domestic”	2.33	2.28
of which “foreign”	3.05	2.92
Consumer Applications, total accounts (in million)	33.18	33.68
of which with Premium Mail subscription	1.89	1.91
of which with Value-Added subscription	0.26	0.21
of which with De-Mail address / identification	0.28 / 0.10	–

* Negative special items from Q2 2012 (Sedo impairment charges): EBIT and EBT effect: € -46.3 million; EPS effect: € -0.24

** Figures adjusted to aid comparison (see 3-Month Report 2013, page 9 and 11: customer and contract inventory)

Content

Dear shareholders, employees and business associates of United Internet,

United Internet AG can look back on a successful first six months to its fiscal year 2013. There were strong improvements in sales, the number of customer contracts and our key earnings ratios. At the same time, we once again invested heavily in the establishment and development of new business fields in order to tap sustainable growth potential for the future.

Specifically, we raised consolidated sales to € 1.283 billion in the first six months of 2013 – representing year-on-year growth of 10.3%.

There was also a strong increase in our customer figures during the first half-year 2013: with the addition of 660,000 contracts to 12.7 million customer contracts, we surpassed the already strong growth of the first half-year of 2012 (610,000) slightly. Growth was particularly strong in our Access segment with the addition of 330,000 Mobile Internet contracts and 120,000 DSL contracts.

With further heavy investments in new business fields – albeit at a lower level thanks to rising customer figures – (EBITDA-effective start-up losses of € 61.8 million in the first half of 2013 compared to € 72.7 million in the previous year), we succeeded in significantly improving our earnings figures: earnings before interest, taxes, depreciation and amortization (EBITDA) rose by 17.8%, from € 148.6 million last year to € 175.1 million. Earnings before interest and taxes (EBIT) climbed 24.8%, from € 103.7 million in the previous year (comparable prior-year figure without Sedo impairment charges) to € 129.4 million. Earnings per share (EPS) improved by 34.4%, from € 0.32 (comparable prior-year figure) to € 0.43.

Our free cash flow position underlines the Group's ability to generate very healthy levels of cash – while at the same time achieving strong qualitative growth. Despite consistently high start-up losses in our new business fields and costs for expanding our existing customer base, this figure was at a high level of € 82.9 million.

With the figures for customer contracts, sales and earnings reached in the first six months of 2013, we are well on course. Against this backdrop, we increase our customer forecast for the full year 2013. We now expect a number of approximately 1.1 million new contracts, which means 100,000 contracts more than previously estimated. Despite the associated higher marketing and sales spending, the sales and earnings guidance is unchanged.

We are well placed for the next steps of our corporate development and optimistic about the year ahead. In view of the successful first six months of 2013, we would like to express our gratitude to all employees for their dedicated efforts, and thank our shareholders for their continued faith in the United Internet Group.

Montabaur, August 14, 2013

Ralph Dommermuth

Group management report for the first six months of 2013

Economic environment

IMF downgrades its growth forecasts

The International Monetary Fund (IMF) paints a far more negative picture of the **global economy** than it did just three months ago. The organization has downgraded its outlook for economic growth in 2013 by 0.2 percentage points to 3.1%.

The main reasons for the IMF's more modest outlook are the worsening recession in Europe, the slowdown in growth among emerging nations in the first half of 2013, and new risks which may ensue should the USA abandon its "loose monetary policy". In its "World Economic Outlook" of July 2013, the IMF summarized developments in the first half of 2013 and the global economy's current situation as follows: „Whereas old risks continue to exist, they have been joined by new ones."

The picture which the IMF portrays of the **eurozone** is particularly gloomy. The IMF now expects the 17 countries of the monetary union to suffer a decline of the GDP by 0.6% in 2013, as economies such as France, Italy and Spain continue to shrink. In April, the IMF had forecast a decline of just 0.3%.

A weaker global economy, the ongoing eurozone crisis and falling export figures are also depressing the growth prospects for **Germany**. As a consequence, the IMF has halved its April forecast for Germany to 0.3%. By contrast, the German government expects a further recovery of the economy in 2013. In its latest report on Germany's economic position, the German Economics Ministry stated: "Although growth was only moderate in the first quarter as a result of weather conditions, it is likely to accelerate again in the second quarter." The economic barometer of the German Institute for Economic Research (DIW Berlin) confirms this assessment and indicates strong growth of over 0.5% for the second quarter (forecast as of July 31, 2013) compared to just 0.1% in the first quarter of 2013.

Business climate in German high-tech industry still good

Germany's high-tech sector appears largely unaffected by the eurozone debt crisis and the downgraded economic forecasts for certain regions. Following a successful start to the current year, 74% of mid-size IT and telecommunication companies interviewed also anticipated rising sales in the second half of 2013, while a further 13% expect sales to remain stable. Only every eighth company (13%) believes that sales will fall. These figures were published by the German ICT industry association BITKOM in its latest economic survey (July 2013). The BITKOM index therefore remained at an extremely high 61 points – albeit slightly below its peak in the first half of the year.

Business development of the Group

Overview of United Internet

United Internet AG is the leading European internet specialist with 12.70 million fee-based customer contracts and 31.03 million ad-financed free accounts.

The operating activities of United Internet AG are divided into the two segments “Access” and “Applications”.

The **Access segment** comprises the company’s fee-based landline and mobile access products, including the respective applications (such as home networks, online storage, telephony or video-on-demand). United Internet operates exclusively in Germany in this segment, where it is one of the leading providers. The company remains independent of network providers by purchasing standardized network services from various pre-service providers. These 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. Access products are marketed by the well-known brands GMX, WEB.DE and 1&1, which enable the company to offer a comprehensive range of products to a mass market while also targeting specific customer groups.

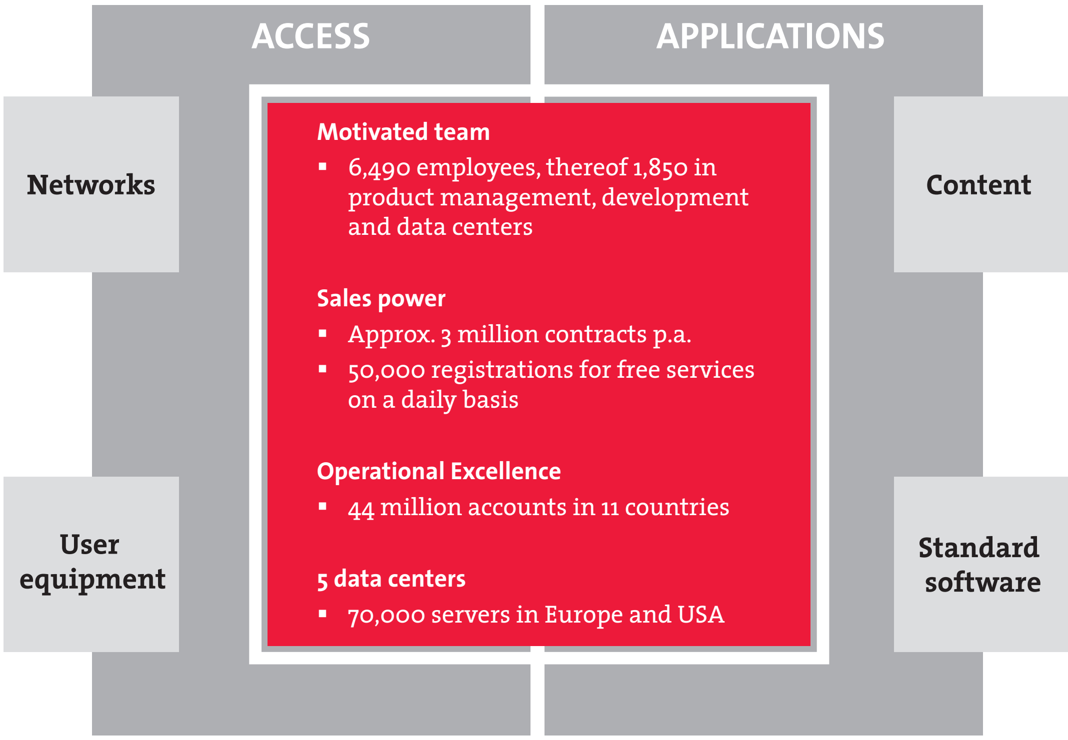
The **Applications segment** comprises United Internet’s application business – whether ad-financed or via fee-based subscriptions. These applications include domains, home pages, webhosting and e-shops, Personal Information Management applications (e-mail, to-do lists, appointments, addresses), group work, online storage and office software. The applications are developed by the company’s “Internet Factory” or in cooperation with partner firms and operated at the company’s data centers. In its Applications segment, United Internet is internationally aligned and among the leading companies in Germany, France, the UK, Italy, Canada, Austria, Poland, Switzerland, Spain and the USA. In January 2013, United Internet began operations in Mexico. Applications are marketed to specific target groups via the differently positioned brands GMX, WEB.DE, 1&1, united-domains, Fasthosts and InterNetX. United Internet also offers its customers performance-based advertising and sales platforms on the internet via Sedo and affilinet.

Development of Access segment

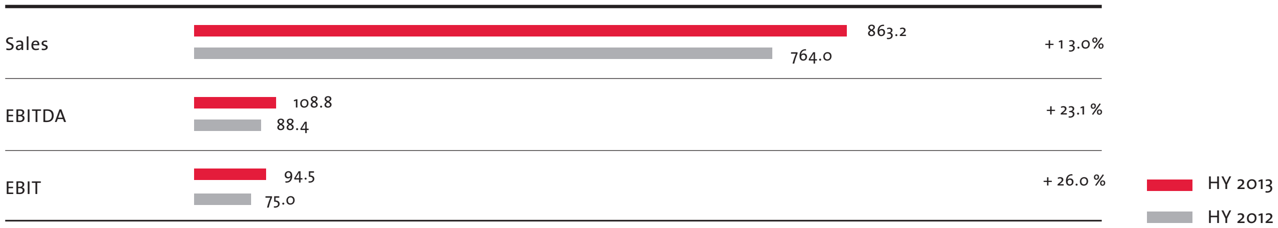
As a result of dynamic customer growth, **sales** of the Access segment rose by 13.0% to € 863.2 million in the first half of 2013. In spite of much stronger customer growth (450,000 vs. 300,000) – there was also a further sharp rise in earnings. **EBITDA** increased by 23.1%, from € 88.4 million in the previous year to € 108.8 million, while **EBIT** was up 26.0%, from € 75.0 million to € 94.5 million.

All customer acquisition costs for DSL and Mobile Internet products, as well as costs for the migration of resale DSL connections to complete packages (ULL = Unbundled Local Loop), continue to be charged directly as expenses.

UNITED INTERNET – „INTERNET FACTORY“



Financial figures for Access segment in € million



Quarterly development in € million

	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q2 2012
Sales	405.0	417.1	421.7	441.5	388.4
EBITDA	57.1	46.3	54.8	54.0	47.1
EBIT	50.2	39.1	47.2	47.3	40.2

The number of fee-based **Access contracts** rose by 450,000 to 5.17 million contracts in the first half of 2013. Of this figure, the segment added 330,000 new customer contracts in its Mobile Internet business and thus raised the number of customers to 1.74 million. There was also growth in the important complete DSL contract business (ULL) with the addition of 200,000 customer contracts to reach a total of 2.99 million. As expected, however, the number of customer contracts for those business models being phased out (T-DSL and R-DSL) continued to fall in the first six months of 2013 (-80,000 customer relationships). All in all, the total number of DSL contracts grew by 120,000 contracts to 3.43 million.

Development of Access contracts in the first six months of 2013	June 30, 2013	Dec. 31, 2012*	Change
Access, total contracts	5.17 million	4.72 million	+ 450,000
of which Mobile Internet	1.74 million	1.41 million	+ 330,000
of which DSL complete (ULL)	2.99 million	2.79 million	+ 200,000
of which narrowband / T-DSL / R-DSL	0.44 million	0.52 million	– 80,000

* Figures adjusted to aid comparison (see 3-Month Report 2013, page 9: customer and contract inventory)

Development of Access contracts in the second quarter of 2013	June 30, 2013	March 31, 2013	Change
Access, total contracts	5.17 million	4.93 million	+ 240,000
of which Mobile Internet	1.74 million	1.57 million	+ 170,000
of which DSL complete (ULL)	2.99 million	2.89 million	+ 100,000
of which narrowband / T-DSL / R-DSL	0.44 million	0.47 million	– 30,000

Product highlights in the first six months of 2013

In the period under review, the main focus was on expanding the performance of the 1&1 All-Net-Flat product family, raising the flexibility of all 1&1 Mobile Internet products, and launching "Smart Home" for 1&1 DSL.

- **Increased surfing speeds and data volumes for all 1&1 All-Net-Flats:** In January 2013, the 1&1 All-Net-Flat product family was enhanced with greater surfing speeds and increased high-speed data volumes. The 1&1 All-Net-Flat Basic now boasts 500 MB high-speed data volume (instead of 300 MB) and speeds of up to 7.2 Mbit/s; the 1&1 All-Net-Flat Plus has 1,000 MB (instead of 500 MB) high-speed data volume with up to 14.4 Mbit/s (instead of up to 7.2 Mbit/s); while the 1&1 All-Net-Flat Pro offers 2,000 MB (instead of 1,000 MB) high-speed data volume and speeds of up to 14.4 Mbit/s.

- **Flexible data packages for all 1&1 Mobile Internet tariffs:** As of February 2013, 1&1 offers its Mobile Internet users optional high-speed data packages. As soon as 75% or 100% of the included high-speed volume has been used, 1&1 All-Net-Flat users (as well as 1&1 Notebook-Flat and Tablet-Flat users) receive a text message providing information and the possibility to book top-up packages.
- **1&1 DSL ushers in "smart home" era:** Starting the coffee machine on your way home, switching lights on and off while on vacation, or checking if you really did unplug the iron. Intelligent power outlets – accessible via the home network with WiFi remote control or smartphone app – make all this possible. As of April 2013, 1&1 DSL has taken its first step toward such "smart homes". The 1&1 SmartEnergy power outlet can also help save energy. It collects energy usage data and presents the results for each hour, day, month or year. This also allows users to draw up their own personal carbon footprint.

Outlook

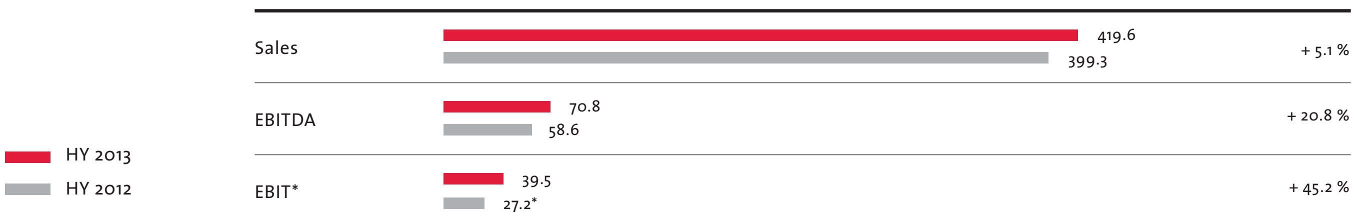
Thanks to a product strategy based on transparency and flexibility, with innovative products offering excellent value for money and a variety of optional applications, United Internet sees good opportunities to enhance customer retention and achieve a further increase in average revenue per contract in its Access business. Contract growth in this segment is expected to result from the ongoing migration of customers to complete DSL packages (ULL) – regarded as essential for improving customer retention – as well as from the marketing of Mobile Internet products.

Development of Applications segment

In the first half of 2013, **sales** of the Applications segment rose by 5.1% to € 419.6 million. The main reason for this more moderate growth rate was the year-on-year revenue decline of approx. € 6.4 million in the first quarter of 2013 from the marketing of United Internet's portals. Revenue from this business was up again in the second quarter, helping the entire Applications segment achieve year-on-year growth of around 7% in the second quarter. **Sales abroad** were raised by 10.7%, from € 126.8 million to € 140.4 million.

There was far stronger growth in the segment's key earnings figures. With further heavy investments in new business fields – albeit at a lower level thanks to rising customer figures – (EBITDA-effective **start-up losses** of € 61.8 million in the first half of 2013 compared to € 72.7 million in the previous year), **EBITDA** was increased by 20.8%, from € 58.6 million last year to € 70.8 million. **EBIT** improved by 45.2%, from € 27.2 million in the previous year (comparable prior-year figure without Sedo impairment charges of € 46.3 million) to € 39.5 million.

Financial figures for Applications segment in € million



Quarterly development in € million

	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q2 2012
Sales	198.1	212.8	207.9	211.7	198.1
EBITDA	33.5	40.0	38.5	32.3	27.9
EBIT	16.8	22.6	23.1	16.4	12.3*

* Without negative special items (Sedo impairment charges) of Q2 2012: EBIT effect: € -46.3 million

The number of fee-based **Business Applications contracts** rose worldwide by 180,000 to 5.38 million (of which +90,000 1&1 MyWebsite contracts to 490,000) in the first half of 2013. Of this total, there was an increase in domestic contracts of 50,000 to 2.33 million, while contracts abroad rose by 130,000 to 3.05 million. The international expansion of the segment's Business Application business was also continued with a roll-out in Mexico.

Development of Business Applications contracts in the first six months of 2013	June 30, 2013	Dec. 31, 2012*	Change
Business Applications, total contracts	5.38 million	5.20 million	+ 180,000
of which "domestic"	2.33 million	2.28 million	+ 50,000
of which "foreign"	3.05 million	2.92 million	+ 130,000

* Figures adjusted to aid comparison (see 3-Month Report 2013, page 11: customer and contract inventory)

Development of Business Applications contracts in the second quarter of 2013	June 30, 2013	March 31, 2013	Change
Business Applications, total contracts	5.38 million	5.28 million	+ 100,000
of which "domestic"	2.33 million	2.30 million	+ 30,000
of which "foreign"	3.05 million	2.98 million	+ 70,000

The number of **Consumer Accounts** fell by 500,000 to 33.18 million in the first half of 2013, due in particular to the usual seasonal fluctuations in the number of active free accounts. Fee-based accounts with Premium Mail subscriptions declined by 20,000 to 1.89 million. This was brought about by a slight fall in the appeal of these products due to the expanded scope of services provided by free accounts. Fee-based accounts with Value Added subscriptions rose by 50,000 to 260,000. Following the accreditation received on March 5, 2013, a total 280,000 De-Mail usage contracts were completed as of June 30, 2013 – of which 100,000 customer accounts could be fully identified and activated. In contrast to accounts with Premium Mail subscriptions and Value-Added subscriptions, the aforementioned De-Mail usage contracts are not fee-based contracts as defined by United Internet's contract policy, as these contracts are not linked to a monthly basic fee but invoiced purely according to usage.

Development of Consumer Applications contracts in the first six months of 2013	June 30, 2013	Dec. 31, 2012*	Change
Consumer Applications, total accounts	33.18 million	33.68 million	– 500,000
of which with Premium Mail subscription	1.89 million	1.91 million	– 20,000
of which with Value-Added subscription	0.26 million	0.21 million	+ 50,000
of which with De-Mail address / identification	0.28 / 0.10 million	–	+ 280,000 / + 100,000

* Figures adjusted to aid comparison (see 3-Month Report 2013, page 11: customer and contract inventory)

Development of Consumer Applications contracts in the second quarter of 2013	June 30, 2013	March 31, 2013	Change
Consumer Applications, total accounts	33.18 million	33.85 million	– 670,000
of which with Premium Mail subscription	1.89 million	1.93 million	– 40,000
of which with Value-Added subscription	0.26 million	0.23 million	+ 30,000
of which with De-Mail address / identification	0.28 / 0.10 million	0.15 / 0.06 million	+ 130,000 / + 40,000

Product highlights in the first six months of 2013

In the period under review, activities in the field of Consumer Applications focused on the roll-out of new GMX mailboxes and the De-Mail accreditation of WEB.DE and GMX, while Business Application activities centered on expanding the features of the 1&1 MyWebsite product as well as the roll-out of Microsoft Exchange 2013.

- **16 million new mailboxes with cloud storage for GMX:** In the first quarter of 2013, 16 million active mailboxes in Germany, Austria and Switzerland received a greatly enhanced user interface with improved ease-of-use. A whole host of new features and two gigabytes of cloud storage were conveniently integrated.
- **WEB.DE and GMX accredited for De-Mail:** WEB.DE and GMX were able to announce the receipt of their De-Mail accreditation at the CeBIT 2013 trade show. This represents the most important milestone so far for this project. The De-Mail launch of WEB.DE and GMX has also been accompanied by an extensive TV campaign since March 6.
- **1&1 MyWebsite with new, additional features:** In March 2013, 1&1 integrated a series of new tools into its 1&1 MyWebsite product which help companies and freelancers optimize both the appearance and performance of their websites. The new “Multimedia Show”, for example, enables users to easily design audio-visual material for a more compelling customer experience, while the new “Sheet Catalogue” makes it easy to produce online brochures, and the “Online Survey Tool” offers an easy way of collecting customer feedback.
- **1&1 offers new package for Microsoft Exchange 2013:** In April 2013, 1&1 launched its new professional mail solution „Microsoft Exchange 2013“. The product mainly targets small and mid-size companies. For a monthly fee, customers receive an Exchange mailbox with a storage capacity of 25 gigabytes, as well as the latest Outlook version 2013, and the possibility to access the mailbox via any internet-capable user device. Real-time synchronization with the user’s desktop PC also enables mobile access via notebooks, smartphones or tablet PCs. In addition, customers benefit from high company-wide security standards for protection against spam and viruses.

Outlook

With its strong and specialized brands, a growing portfolio of cloud applications, and existing relations with millions of small businesses, freelancers and private users, United Internet is well positioned to utilize the opportunities offered by cloud computing. In 2013, the company is focusing in particular on further expansion in its foreign markets with Business Applications products. Key areas are the marketing of 1&1 hosting products, which will be relaunched in September under the motto “1&1 New Webhosting”, as well as pre-registration for new top-level domains (new TLDs). Over 700 new domain endings are to be gradually rolled out over the coming months. With the aid of an extensive international advertising campaign, 1&1 aims to reach approx. 5 million of non-binding pre-registrations in the second half of 2013. In the case of Consumer Applications, the main focus is on legally secure e-mail communication. Key areas include the marketing of De-Mail accounts and the joint initiative with Deutsche Telekom (“E-Mail made in Germany”) launched in August.

Result of operations, financial position and net assets of the Group

Consolidated earnings position

United Internet AG can look back on a successful first six months of 2013. Consolidated **sales** grew by 10.3% in the period under review, from € 1,163.5 million in the previous year to € 1,283.0 million. Sales of the Access segment rose by 13.0%, from € 764.0 million to € 863.2 million, while in the Applications segment sales increased by 5.1%, from € 399.3 million to € 419.6 million. **Foreign sales** (exclusively in the Applications segment) were increased by 10.7%, from € 126.8 million to € 140.4 million.

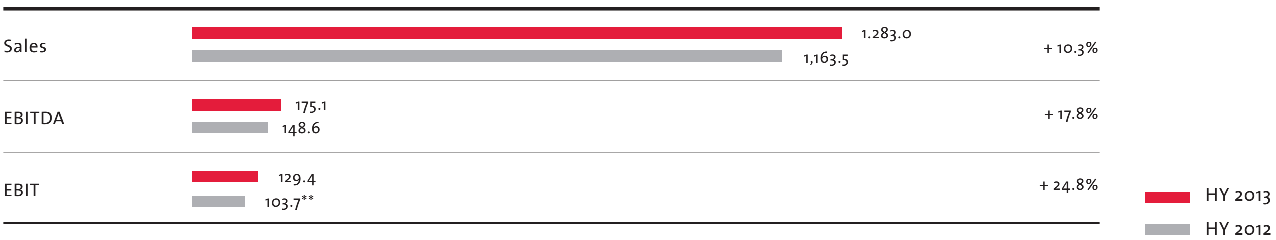
Gross margin was largely unchanged from last year at 33.7% in the first half of 2013. As a result of increased sales, **gross profit** improved by 10.4% from € 391.7 million in the previous year to € 432.5 million.

Sales and marketing expenses grew more slowly than sales, from € 232.2 million (20.0% of sales) last year to € 239.8 million (18.7% of sales). The same applies to **administrative expenses**, which rose from € 52.5 million (4.5% of sales) last year to € 56.2 million (4.4% of sales) in the reporting period.

With further heavy investments in new business fields – albeit at a lower level thanks to rising customer figures – (EBITDA-effective **start-up losses** of € 61.8 million in the first half of 2013 compared to € 72.7 million in the previous year), earnings improved strongly: **EBITDA** rose by 17.8%, from € 148.6 million last year to € 175.1 million, while **EBIT** climbed 24.8%, from € 103.7 million (comparable prior-year figure without Sedo impairment charges of € 46.3 million) to € 129.4 million.

Earnings before taxes (**EBT**) improved by 26.7%, from € 95.8 million (comparable prior-year figure) to € 121.4 million while **EPS** grew by 34.4%, from € 0.32 (comparable prior-year figure) to € 0.43.

Group financial figures in € million



Quarterly development in € million

	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q2 2012
Sales	603.1	630.0	629.7	653.3	586.6
EBITDA	89.1	88.2*	91.3	83.8	78.1
EBIT	65.4	63.5*	68.3	61.1	55.5**

* Without positive special items (sale of freenet shares): EBITDA and EBIT effect: € 17.9 million
** Without negative special items (Sedo impairment charges) of Q2 2012: EBIT effect: € -46.3 million

Cash flow, investment and finance

Operative cash flow rose from € 95.2 million in the previous year to € 118.5 million in the first half of 2013.

Despite an increase in business (sales growth of 10.3%), **net cash inflows from operating activities** were increased from € 107.8 million to € 109.4 million.

Net cash outflows from investing activities amounted to € 26.5 million in the reporting period (prior year: € 14.9 million). This resulted mainly from disbursements of € 24.0 million (prior year: € 20.9 million) for capital expenditures. In the first half of the previous year, cash flows from investing activities also benefited from proceeds of € 10.3 million from the deconsolidation of associated companies (disposals of EFF Fund investments), as well as from lower capital expenditures.

Free cash flow (i.e. the balance of net cash inflows from operating activities and net cash outflows from investing activities) amounted to € 82.9 million (prior year: € 92.9 million). This demonstrates the Group's ability to consistently generate high levels of cash while at the same time achieving strong qualitative growth.

Net cash flow for financing activities in the first six months of 2013 was dominated by an outflow for the dividend payment of € 58.0 million (prior year: € 58.1 million), the purchase of treasury shares amounting to € 27.7 million (prior year: € 0), and the redemption of loans totaling € 3.2 million (prior year: € 31.4 million).

Assets and equity

The Group's **balance sheet total** fell slightly from € 1.108 billion as of December 31, 2012 to € 1.100 billion as of June 30, 2013.

Non-current assets decreased from € 821.3 million as of December 31, 2012 to € 813.3 million as of June 30, 2013. Within this item, additions to property, plant and equipment and intangible assets of € 24.0 million were opposed by depreciation and amortization of € 45.8 million. Goodwill remained virtually unchanged at € 353.3 million.

Current assets increased slightly from € 286.5 million as of December 31, 2012 to € 286.9 million as of June 30, 2013. Due in part to share buybacks and the dividend payment, cash and cash equivalents disclosed under current assets fell from € 42.8 million to € 35.7 million in the reporting period. Trade accounts receivable decreased from € 148.8 million to € 144.7 million, partly because of closing-date effects. As a result of ongoing Mobile Internet campaigns with new smartphones, inventories were increased from € 25.7 million to € 40.3 million.

In the first six months of 2013, bank liabilities were reduced from € 300.3 million to € 297.1 million. Due in particular to share buybacks and the dividend payment, **net bank liabilities** (bank liabilities netted with cash and cash equivalents) rose slightly over the same period from € 257.5 million to € 261.4 million.

As of June 30, 2013 – and thus after the two share cancellations in the first quarter of 2013 – United Internet held 483,568 **treasury shares** (December 31, 2012: 20,662,202 treasury shares).

The Group's **equity ratio** – after deduction of treasury stock and the dividend payment – declined slightly from 17.9% as of December 31, 2012 to 17.7% as of June 30, 2013.

Cancellation of treasury shares / share buybacks

Based on the authorization granted by the Annual Shareholders' Meeting of United Internet AG on May 31, 2012 regarding the acquisition and use of treasury shares, and with the approval of the Supervisory Board, the Management Board reduced the company's capital stock in two stages from € 215 million to € 194 million in the first quarter of 2013. To this end, an initial amount of 15 million shares (resolution and ad-hoc announcement of January 7, 2013) and in a second stage 6 million shares (resolution and ad-hoc announcement of February 1, 2013) were cancelled from the company's stock of treasury shares which had been purchased in the course of share buyback programs. The number of shares issued decreased correspondingly from 215 million shares to 194 million shares. Issued shares continued to represent a notional share of capital stock of € 1.00 each. Following the two **share cancellations**, United Internet temporarily held no more treasury shares.

The share buyback program adopted on January 7, 2013 on the basis of an authorization of the Annual Shareholders' Meeting of May 31, 2012 was revoked by the Annual Shareholders' Meeting of May 23, 2013 on expiry of May 23, 2013 with effect in future.

At the same time, with a resolution adopted on May 23, 2013, the Annual Shareholders' Meeting authorized United Internet AG to buy back treasury shares representing up to 10% of the company's capital stock. The authorization was issued for the period up to November 23, 2014.

On the basis of this authorization, the Management Board of United Internet AG resolved on May 24, 2013 to launch a new **share buyback program**. In the course of this new share buyback program, up to 1,000,000 company shares (corresponding to approx. 0.52% of capital stock) are to be bought back via the stock exchange.

As of June 30, 2013, United Internet held 483,568 treasury shares and thus 0.25% of capital stock.

Share price and dividend

With growth of 33.0% to € 21.69 as of June 30, 2013 (December 31, 2012: € 16.31), United Internet's **share price** easily outperformed the DAX (+4.6%) and TecDAX (+14.5%) indices in the first half of 2013.

The Annual Shareholders' Meeting of United Internet AG on May 23, 2013 voted to accept the proposal of the Management Board and Supervisory Board to pay a **dividend** of € 0.30 per share. The total dividend payment of € 58.0 million was made on May 24, 2013.

Personnel change in the Management Board

Robert Hoffmann (43) was appointed as an additional member of the Management Board of United Internet AG as of January 1, 2013. In this new position, he will support the CEO with the strategic development of the company and stand in for him whenever necessary. Robert Hoffmann has already held various Management Board positions at 1&1 Internet AG since June 2006.

Employees

At the end of June 2013, United Internet employed a total of 6,490 people (December 31, 2012: 6,254), of which 1,382 were employed outside Germany (December 31, 2012: 1,350). In the first six months of 2013, total headcount therefore rose by 236 employees or 3.8%.

Risk and opportunity report

The risk and opportunity policy of United Internet AG is based on the objective of maintaining and sustainably enhancing the company's value by utilizing opportunities while at the same time recognizing and managing risks from an early stage in their development. The risk and opportunity management system regulates the responsible handling of those uncertainties which are always involved with economic activity.

In the first six months of 2013, the overall risk and opportunity situation remained mostly stable compared with the risk and opportunity report provided in the annual financial statements 2012.

From the current perspective, the main risks focus on the areas of potential threats via the internet, the use of hardware and software, political and legal risks, as well as risks from the market. The further expansion of its risk management system enables United Internet to limit such risks to a minimum, where sensible, by implementing specific measures.

From the point of view of management, there were no recognizable risks as of the reporting date which – individually or collectively – might jeopardize the continued existence of the company.

Subsequent events

According to leading market analysts, the predominantly positive conditions for those target markets of relevance to United Internet remain unchanged.

There were no significant events subsequent to the reporting period which may have resulted in a different representation of the Company's assets, financial position and earnings or affected the company's accounting and reporting.

In early July 2013, United Internet acquired 28.36% of shares – via United Internet Ventures AG – in the e-mail and collaboration specialist **Open-Xchange AG**. With its "OX App Suite", Open-Xchange offers an extensive, browser-based software solution for the processing and administration of emails, contacts, and appointments, which can be supplemented in real time to include information from social networks such as Facebook, LinkedIn, XING and Twitter. Open-Xchange also allows images, as well as audio, video and office files to be centrally stored, administered and worked on by teams. A cloud-based office solution is also currently being developed with "OX Documents". Open-Xchange AG has grown both revenue and user numbers by 50% over the past three years. Open-Xchange's software is currently deployed with more than 80 million users, and is provided to them as software-as-a-service (SaaS) by more than 80 hosting and telecommunications providers worldwide.

Forecast report

Economic prospects

Due to the worsening recession in Europe, the slowdown in growth among emerging nations, and new risks which may ensue should the USA abandon its “loose monetary policy”, the IMF downgraded its forecasts for the **global economy** in its updated World Economic Outlook of July 2013. The IMF now anticipates growth of 3.1% (previously 3.3%) for 2013 and of 3.8% (previously 4.0%) for 2014.

In the **eurozone**, the IMF currently expects a recession of -0.6% (previously -0.3%) in 2013. The region is not expected to return to growth of 0.9% (previously 1.1%) until 2014.

The IMF is also increasingly pessimistic about the prospects for **Germany** – in contrast to the German government –and only expects growth of 0.3% (previously 0.6%) in 2013. Growth of 1.3% (previously 1.5%) is forecast for 2014.

Market / sector expectations

Further international and national growth is forecast for IT and telecommunications companies in 2013: according to the German industry association BITKOM, the **global** ICT market will grow by 5.1% to € 2.7 trillion in 2012.

BITKOM expects the ICT market in the **EU** to grow by 0.9% in 2013.

The overall market for IT, telecommunications and digital entertainment electronics in **Germany** is expected to grow by 1.4% to € 153 billion in 2013. The IT sector is likely to lead the overall market with expected growth of 2.2% to € 75.0 billion. The telecommunications sector is also likely to grow by a further 1.4% to € 66.3 billion. According to BITKOM’s calculations, however, the entertainment electronics market is expected to decline by 3.2% to € 12.0 billion.

Of particular importance to United Internet are the German broadband and mobile internet market in the Access segment and the cloud computing market and online advertising market in the Applications segment.

Growth in German broadband market primarily qualitative
In view of the comparatively high level of household coverage of over 80% already achieved – and the trend toward mobile internet – experts forecast only moderate growth for the German broadband market (fixed line-based). According to the survey “German Entertainment and Media Outlook 2012-2016” of October 2012, PricewaterhouseCoopers expects sales of fixed-line broadband connections to increase by 4.0% to € 7.28 billion in 2013.

Market forecast: broadband access (fixed-line) in Germany

	2013e	2012	Change
Sales in € billion	7.28	7.00	+ 4.0%

Source: PricewaterhouseCoopers

Dynamic growth in German mobile internet market

All experts continue to predict dynamic growth for the mobile internet market, however. Following market growth of 14.7% to € 8.6 billion in 2012, BITKOM also expects growth of 7.0% to € 9.2 billion in 2013. This growth will be driven above all by favorable – and thus for the consumer attractive – tariffs, as well as by the boom in smartphones and tablet PCs, as well as their respective applications (or apps). BITKOM forecasts sales growth of 29% to 28.0 million sold smartphones in 2013 (following 21.7 million in 2012).

Market forecast: mobile internet access in Germany

	2013e	2012	Change
Sales in € billion	9.2	8.6	+ 7.0%

Source: BITKOM

Megatrend cloud computing

In its study "Forecast Overview: Public Cloud Services, Worldwide" of August 2012, Gartner forecasts global growth for Public Cloud Services of 18.8%, from $ 109.3 billion to $ 129.9 billion for 2013. Based on a study of the Experton Group, the sector association BITKOM expects business cloud sales in Germany to grow by 53.3% to € 4.6 billion in 2013.

Market forecast: cloud computing worldwide and in Germany (B2B)

	2013e	2012	Change
Sales worldwide (in $ billion)	129.9	109.3	+ 18.8%
Sales in Germany (in € billion)	4.6	3.0	+ 53.3%

Source: Gartner, BITKOM / Experton Group

Further growth in German online advertising market

Online advertising activities continued to be dominated by a strong willingness to invest in 2012. As a result, the internet was able to expand its position as the second most important medium in the media mix by 2.2 percentage points. The Online Marketing Group (Online-Vermarkterkreis – OVK) forecasts a further positive development for the online advertising market in 2013 with growth in gross advertising spend of up to 11% to € 7.18 billion.

Market forecast: online advertising in Germany

	2013e	2012	Change
Gross advertising spend in € billion	7.18	6.47	+ 11.0%

Quelle: BVDW / OVK

Expectations for the company

United Internet AG will continue to pursue its policy of sustainable growth in future.

With the figures for customer contracts, sales and earnings reached in the first six months of 2013, United Internet is well on course. Against this backdrop, the company increases the customer forecast for the full year 2013. United Internet now expects a number of approx. 1.1 million new contracts, which means 100,000 contracts more than previously estimated. Despite the associated higher marketing and sales spending, the sales and earnings guidance is unchanged.

Forward-looking statements and forecasts
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 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.

Financial Statements

Balance Sheet

as of June 30, 2013 in €k

	June 30, 2013	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	35,702	42,828
Trade accounts receivable	144,729	148,766
Inventories	40,313	25,678
Prepaid expenses	55,603	45,177
Other financial assets	9,358	19,531
Other non-financial assets	1,207	4,473
	286,912	286,453
Non-current assets		
Shares in associated companies	91,557	90,881
Other financial assets	68,792	70,133
Property, plant and equipment	106,889	109,187
Intangible assets	131,893	151,827
Goodwill	353,335	356,248
Prepaid expenses	6,636	0
Deferred tax asset	54,154	42,979
	813,256	821,255
Total assets	**1,100,168**	**1,107,708**

	June 30, 2013	December 31, 2012
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Trade accounts payable	226,073	268,668
Liabilities due to banks	77,634	87,113
Advance payments received	11,818	10,943
Accrued taxes	62,842	49,312
Deferred revenue	169,504	166,030
Other accrued liabilities	2,431	2,145
Other financial liabilities	66,699	51,464
Other non-financial liabilities	40,229	29,944
	657,230	665,619
Non-current liabilities		
Liabilities due to banks	219,447	213,163
Deferred tax liabilities	7,319	7,569
Other liabilities	21,888	23,214
	248,654	243,946
Total liabilities	**905,884**	**909,565**
Equity		
Capital stock	194,000	215,000
Additional paid-in capital	27,095	25,468
Accumulated profit	–8,297	227,012
Treasury stock	–10,251	–263,570
Revaluation reserves	8,711	9,621
Cash flow hedge reserve	–5,877	–7,942
Currency translation adjustment	–21,229	–17,301
Equity attributable to shareholders of the parent company	**184,152**	**188,288**
Non-controlling interests	10,132	9,855
Total equity	**194,284**	**198,143**
Total liabilities and equity	**1,100,168**	**1,107,708**

Income Statement

from January 1 to June 30, 2013 in €k

	2013 January – June	2012 January – June
Sales	1,282,959	1,163,545
Cost of sales	–850,467	–771,858
Gross profit	**432,492**	**391,687**
Selling expenses	–239,829	–232,227
General administrative expenses	–56,179	–52,487
Other operating income / expenses	–194	4,039
Amortization of intangible assets resulting from company acquisitions	–6,939	–7,291
Amortization of goodwill	0	–46,268
Operating result	**129,351**	**57,453**
Financial result	–5,136	–3,473
Results from associated companies	–2,816	–4,480
Pre-tax result	**121,399**	**49,500**
Income taxes	–38,378	–33,972
Net income	**83,021**	**15,528**
Attributable to		
- non-controlling interests	270	317
- shareholders of United Internet AG	82,751	15,211

	2013 January – June	2012 January – June
Result per share of shareholders of United Internet AG (in €)		
- basic	0.43	0.08
- diluted	0.42	0.08
Weighted average shares (in million units)		
- basic	193.82	193.79
- diluted	195.19	195.32
Statement of comprehensive income		
Net income	83,021	15,528
Results directly included in equity		
- currency translation adjustment	–3,928	2,069
- Market value changes of available-for-sale financial instruments after taxes	–910	6,508
- Change in cash flow hedge reserve after taxes	2,065	–2,330
- Change in associated companies after taxes not affecting net income	0	–23
	–2,773	6,224
Total net income	**80,248**	**21,752**
Attributable to		
- non-controlling interests	270	309
- shareholders of United Internet AG	**79,978**	**21,443**

Cash Flow Statement

from January 1 to June 30, 2013 in €k

	2013 January – June	2012 January – June
Cash flow from operating activities		
Net income	83,021	15,528
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of intangible assets and property, plant and equipment	38,836	37,608
Amortization of intangible assets resulting from company acquisitions	6,939	7,291
Amortization of goodwill	0	46,268
Compensation expenses from employee stock option plans	1,627	1,284
Results of at-equity companies	2,816	4,480
Distributed profit of associated companies	110	0
Income from deconsolidation of associated companies	0	–4,105
Change in deferred taxes	–11,425	–13,532
Non-cash expenses / income	–3,409	420
Operative cash flow	**118,515**	**95,242**
Change in assets and liabilities		
Change in receivables and other assets	17,245	9,266
Change in inventories	–14,636	–5,273
Change in deferred expenses	–17,062	–10,253
Change in trade accounts payable	–42,574	–21,678
Change in advance payments received	875	1,170
Change in other accrued liabilities	287	–165
Change in accrued taxes	13,530	1,232
Change in other liabilities	29,842	28,623
Change in deferred income	3,394	9,666
Change in assets and liabilities, total	**–9,099**	**12,588**
Cash flow from operating activities	**109,416**	**107,830**

	2013 January – June	2012 January – June
Cash flow from investing activities		
Capital expenditure for intangible assets and property, plant and equipment	–24,047	–20,943
Payments from disposal of assets	538	2,297
Purchase of further shares in affiliated companies	0	–607
Reduction from disposal of deconsolidated companies	–193	0
Purchase of shares in associated companies / joint ventures	–1,831	0
Income from deconsolidation of associated companies	0	10,260
Refunding from shares in associated companies	172	413
Investments in other financial assets	–39	–1,388
Payments of loans granted	–1,800	–6,636
Payments from deconsolidation of financial assets	0	960
Refunding from other financial assets	702	696
Cash flow from investment activities	**–26,498**	**–14,948**
Cash flow from financing activities		
Purchase of treasury stock	–27,703	0
Change in bank liabilities	–3,195	–31,399
Dividend payments	–58,038	–58,132
Dividend payments to non-controlling interests	–164	–1,139
Cash flow from financing activities	**–89,100**	**–90,670**
Net decrease (previous year increase) in cash and cash equivalents	–6,182	2,212
Cash and cash equivalents at beginning of fiscal year	42,828	64,867
Currency translation adjustments of cash and cash equivalents	–944	–660
Cash and cash equivalents at end of period	**35,702**	**66,419**

Changes in Shareholders' Equity

from January 1 to June 30, 2013 in €k

	Capital stock		Additional paid-in capital	Accumulated profit	Treasury shares	
	Share	€k	€k	€k	Share	€k
Balance as of January 1, 2012	**215,000,000**	**215,000**	**21,199**	**185,065**	**21,225,158**	**-270,751**
Net income				15,211		
Other net income						
Total net income				**15,211**		
Issue of treasury shares				-2,685	-210,495	2,685
Employee stock ownership programme Sedo Holding			4			
Employee stock ownership programme United Internet			1,279			
Dividend payments				-58,132		
Profit distribution						
Balance as of June 30, 2012	**215,000,000**	**215,000**	**22,482**	**139,459**	**21,014,663**	**-268,066**
Balance as of January 1, 2013	**215,000,000**	**215,000**	**25,468**	**227,012**	**20,662,202**	**-263,570**
Net income				82,751		
Other net income						
Total net income				**82,751**		
Purchase of treasury shares					1,376,314	-27,703
Issue of treasury shares				-11,767	-554,948	11,767
Cancellation of treasury shares	-21,000,000	-21,000		-248,255	-21,000,000	269,255
Employee stock ownership program Sedo Holding			-8			
Employee stock ownership program United Internet			1,635			
Dividend payments				-58,038		
Profit distribution						
Change in amount of holdings						
Balance as of June 30, 2013	**194,000,000**	**194,000**	**27,095**	**-8,297**	**483,568**	**-10,251**

	Revaluation reserve	Cash flow hedge reserve	Currency translation difference	Equity attributable to shareholders of United Internet AG	Non-controlling interests	Total equity
	€k	€k	€k	€k	€k	€k
	18,276	**–4,380**	**–19,287**	**145,122**	**9,631**	**154,753**
				15,211	317	15,528
	6,485	–2,330	2,077	6,232	–8	6,224
	6,485	**–2,330**	**2,077**	**21,443**	**309**	**21,752**
				0		0
				4	1	5
				1,279		1,279
				–58,132		–58,132
				0	–177	–177
	24,761	**–6,710**	**–17,210**	**109,716**	**9,941**	**119,480**
	9,621	**–7,942**	**–17,301**	**188,288**	**9,855**	**198,143**
				82,751	270	83,021
	–910	2,065	–3,928	–2,773	0	–2,773
	–910	**2,065**	**–3,928**	**79,978**	**270**	**80,248**
				–27,703		–27,703
				0		0
				0		0
				–8		–8
				1,635		1,635
				–58,038		–58,038
				0	–164	–164
				0	171	171
	8,711	**–5,877**	**–21,229**	**184,152**	**10,132**	**194,284**

Notes

1. Information on the company

United Internet AG is a service company operating in the telecommunication and information technology sector with registered offices at Elgendorfer Strasse 57, 56410 Montabaur, Germany. The company is registered at the district court of Montabaur under HR B 5762.

2. Significant accounting, valuation and consolidation principles

As was the case with the consolidated financial statements as of December 31, 2012, the interim report of United Internet AG as of June 30, 2013 was prepared in compliance with the International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB).

The condensed consolidated interim report for the period from January 1, 2013 to June 30, 2013 was prepared in accordance with IAS 34 *Interim Financial Reporting*.

A condensed reporting format was chosen for the presentation of this consolidated interim report, as compared with the consolidated financial statements, and is thus to be read in conjunction with the consolidated financial statements as of December 31, 2012. With the exception of the mandatory new standards described below, the accounting and valuation principles applied in the condensed consolidated interim report generally comply with the methods applied in the previous year.

Mandatory adoption of new accounting standards

Initial application of the amendments to IAS 1 – *Presentation of Financial Statements / Other Comprehensive Income* published in June 2011 had no impact on the consolidated interim financial statements of the Company.

Due to a lack of application, the amendments to IAS 19 – *Post-Employment Benefits* had no impact on the consolidated interim financial statements of the Company.

The Group will implement any amendments to its disclosures on offsetting financial assets and liabilities necessitated by the amendment to IFRS 7 / IAS 32 published in December 2011 in its consolidated financial statements as of December 31, 2013.

The amendments to IFRS 13 – *Fair Value Measurement* and the extended disclosures on fair value were implemented in the consolidated interim financial statements where relevant for interim reporting.

The Annual Improvements to IFRS 2009-2011, and specifically to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34, were implemented in the consolidated interim financial statements where relevant for interim reporting.

Use of estimates and assumptions

The preparation of the condensed consolidated interim report requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, the uncertainty associated with these assumptions and estimates could lead to results which require material adjustments to the carrying amount of the asset or liability affected in future periods.

Miscellaneous

The consolidated interim report includes all subsidiaries and associated companies.

The following companies were formed in the reporting period 2013:
- United Internet Media Software GmbH, Montabaur;
- 1&1 Telecom Service Holding Montabaur GmbH, Montabaur;
- affilinet Austria GmbH, Salzburg, Austria;
- affilinet Schweiz GmbH, Zurich, Switzerland.

The following companies were renamed in the reporting period 2013:
- United Internet Corporate Services GmbH, Montabaur (formerly 1&1 Corporate Services GmbH, Montabaur);
- 1&1 Telecom Service Montabaur GmbH, Montabaur (formerly 1&1 Internet Applications GmbH, Montabaur);
- 1&1 Telecom Service Zweibrücken GmbH, Zweibrücken (formerly 1&1 Internet Service GmbH Zweibrücken, Zweibrücken);
- 1&1 Telecommunication AG, Montabaur (formerly 1&1 Access Holding GmbH, Montabaur);
- United Internet Ventures AG, Montabaur (formerly United Internet Beteiligungen GmbH, Montabaur).

Intellectual Property Management Company Inc., domiciled in Dover, Delaware, USA ("IPMC"), was deconsolidated as of January 1, 2013 and has since been disclosed in the consolidated financial statements as an associated company again. Sedo GmbH holds 49% of shares in IPMC. An option to purchase a further 32% of shares, which could have been exercised in the years 2010 to 2012, led to its full consolidation during this period.

Sedo London Ltd., London, UK, was dissolved as of March 19, 2013. The company had been in liquidation since mid 2012.

Otherwise, the consolidated group remained unchanged from that stated in the consolidated financial statements as of December 31, 2012.

This consolidated interim report was not audited according to Sec. 317 HGB nor reviewed by an auditor.

Explanations of items in the statement of comprehensive income

3. Segment reporting

According to IFRS 8, the identification of operating segments to be included in the reporting process is based on the so-called management approach. External reporting should therefore be based on the Group's internal organization and management structure, as well as internal financial reporting to the "Chief Operating Decision Maker". In the United Internet Group, the Management Board is responsible for assessing and controlling the success of the various segments.

January – June 2013	Access segment €k	Applications segment €k	Head Office / Investments €k	Reconciliation €k	United Internet Group €k
Total revenues	863,673	421,491	2,593	–	–
- thereof internal revenues	435	1,898	2,465	–	–
External revenues	863,238	419,593	128	–	1,282,959
- thereof domestic	863,238	279,212	128	–	1,142,578
- thereof non-domestic	0	140,381	0	–	140,381
EBITDA	108,814	70,812	−4,500	0	175,126
EBIT	94,448	39,479	−4,576	0	129,351
Financial result			−4,959	−177	−5,136
Result from at-equity companies			−2,956	140	−2,816
EBT			−12,491	133,890	121,399
Tax expense				−38,378	−38,378
Net income					**83,021**
Investments in intangible assets, property, plant and equipment	1,658	22,324	65	–	24,047
Amortization/depreciation	14,366	31,333	76	–	45,775
- thereof intangible assets, property, plant and equipment	14,366	24,394	76	–	38,836
- thereof intangible assets capitalized during company acquisitions	0	6,939	0	–	6,939
Number of employees	2,134	4,322	34	–	6,490
- thereof domestic	2,006	3,068	34	–	5,108
- thereof non-domestic	128	1,254	0	–	1,382

The Management Board of United Internet AG mainly controls operations on the basis of key earnings figures. The Management Board of United Internet AG measures segment success primarily on the basis of sales revenues, earnings before interest, taxes, depreciation and amortization (EBITDA) and the result of ordinary operations (EBIT). Transactions between segments are charged at market prices. Sales revenues outside Germany stated for information purposes are allocated to the country in which the company is domiciled.

The reconciliation of earnings before taxes (EBT) represents the corresponding EBT contribution of the "Access" and "Applications" segments.

Segment reporting of United Internet AG in the reporting period of 2013 and 2012 was as is shwon in the tables below.

January – June 2012	**Access segment** €k	**Applications segment** €k	**Head Office / Investments** €k	**Reconciliation** €k	**United Internet Group** €k
Total revenues	764,471	400,690	2,171	–	–
- thereof internal revenues	438	1,418	1,931	–	–
External revenues	764,033	399,272	240	–	1,163,545
- thereof domestic	764,033	272,500	240	–	1,036,773
- thereof non-domestic	0	126,772	0	–	126,772
EBITDA	88,370	58,611	1,639	0	148,620
EBIT	75,024	–19,147	1,576	0	57,453
Financial result			–1,539	–1,934	–3,473
Result from at-equity companies			–4,505	25	–4,480
EBT			–4,468	53,968	49,500
Tax expense				–33,972	–33,972
Net income					**15,528**
Investments in intangible assets, property, plant and equipment	1,450	19,368	125	–	20,943
Amortization/depreciation	13,346	77,758	63	–	91,167
- thereof intangible assets, property, plant and equipment	13,346	24,199	63	–	37,608
- thereof intangible assets capitalized during company acquisitions	0	7,291	0	–	7,291
- thereof goodwill amortization	0	46,268	0	–	46,268
Number of employees	1,888	4,054	30	–	5,972
- thereof domestic	1,806	2,805	30	–	4,641
- thereof non-domestic	82	1,249	0	–	1,331

4. Personnel expenses

Personnel expenses amounted to € 150,392k in the reporting period of 2013 (prior year: € 132,060k). At the end of June 2013, United Internet employed a total of 6,490 people, of which 1,382 were employed outside Germany. The number of employees at the end of June 2012 amounted to 5,972, of which 1,331 were employed outside Germany.

5. Depreciation and amortization

Depreciation and amortization of intangible assets and property, plant and equipment amounted to € 38,836k (prior year: € 37,608k).

Amortization of capitalized intangible assets resulting from business combinations amounted to € 6,939k (prior year: € 7,291k).

Total depreciation and amortization of intangible assets and property, plant and equipment thus amounted to € 45,775k in the reporting period of 2013 (prior year: € 44,899k).

6. Goodwill amortization

Contrary to original expectations, the trend toward a downturn in the Domain Parking and Affiliate Marketing business of the Sedo sub-group became firmer in the first half of fiscal year 2012. As a consequence, a non-scheduled impairment test was conducted on June 30, 2012 for the cash-generating units “Domain Marketing” and “Affiliate-Marketing”. This impairment test concluded that goodwill was to be written down by € 46,268k.

Explanations of balance sheet items

Explanations are only given for those items which display notable changes in the amounts presented as compared with the last consolidated financial statements.

7. Shares in associated companies

The following table gives an overview of the development of shares in associated companies:

	2013 €k
Carrying amount at the beginning of the fiscal year	90,881
Additions	2,219
Adjustments	
- Dividends	–110
- Shares in result	–2,815
- Other	1,554
Disposals	-172
	91,557

Other adjustments of € 1,554k refer to profit contributions to associated companies with an investment value of € 0k. The negative profit contributions of associated companies with an investment value of € 0k are only considered if the associated companies were provided with long-term loans or if there are credit / liability commitments. In calculating the profit contributions of the investment in the holding company of Versatel GmbH, VictorianFibre Holding & Co. S.C.A., Luxemburg, added in December 2012, a preliminary price allocation was employed.

8. Other financial assets

The development of these shares was as follows:

			Amortization of revaluation reserve				
	Jan. 01, 2013 €k	Additions €k	Recycling €k	Change €k	Reclassification €k	Disposals €k	June 30, 2013 €k
Goldbach shares	13,770			923		–585	14,108
Hi-media shares	9,754			–1,847			7,907
Afilias shares	8,720						8,720
Portfolio companies of EFF No. 3	10,683						10,683
Purchase price receivable	9,816						9,816
Others	17,390	1,839			–1,554	–117	17,558
	70,133	**1,839**	**0**	**–924**	**–1,554**	**–702**	**68,792**

Additions to other financial assets refer mainly to loans for which the market value coincides with the carrying value.

The subsequent valuation of listed shares in Goldbach and Hi-media at fair value as of the balance sheet date led to a net decrease in the revaluation reserve without recognition in income.

9. Property, plant and equipment, intangible assets and goodwill

A total of € 24,047k (prior year: € 20,943k) was invested in property, plant and equipment and intangible assets during the interim reporting period. Investments focused mainly on equipment and software.

Goodwill of € 353,335k disclosed as of June 30, 2013 consists solely of assets belonging to the "Applications" segment.

10. Non-current prepaid expenses

Non-current prepaid expenses result from prepayments made in connection with long-term procurement contracts.

11. Liabilities due to banks

Bank liabilities result mainly from a syndicated loan.

This syndicated loan was concluded on June 7, 2011. The credit line is divided into a Tranche A amounting to € 120 million and a Tranche B of € 360 million. Tranche A is a bullet loan with a term of five years. As of June 30, 2013, € 120 million have been used from Tranche A and € 60 million from Tranche B.

A promissory note loan ("Schuldscheindarlehen") of € 150.0 million was negotiated on July 23, 2008. The loan was redeemable on maturity and divided into a Tranche A of € 78.0 million, which was redeemed on schedule at the end of its term, and a Tranche B of € 72.0 million with a term until July 23, 2013.

12. Other current financial liabilities

Current financial liabilities consist mainly of marketing and selling expenses, salary liabilities, and liabilities resulting from interest hedging transactions.

13. Other non-current financial liabilities

Non-current financial liabilities result largely from non-controlling interests of the partnerships European Founders Fund No. 2 and European Founders Fund No. 3, liabilities from interest hedging transactions, and the option agreement (put option) for the remaining shares in united-domains AG.

14. Capital stock / treasury shares

Based on the authorization granted by the Annual Shareholders' Meeting of United Internet AG on May 31, 2012 regarding the acquisition and use of treasury shares, and with the approval of the Supervisory Board, the Management Board resolved on January 7, 2013 to cancel a total of 15,000,000 shares from the company's stock of treasury shares, purchased in the course of share buyback programs, and thus reduce the capital stock of United Internet AG by € 15,000,000, from € 215,000,000 to € 200,000,000. The number of shares issued decreased correspondingly from 215,000,000 shares to 200,000,000 shares. Issued shares continued to represent a notional share of capital stock of € 1 each.

At the same time, the Management Board also resolved to launch a new share buyback program, which began once the cancellation and capital reduction became effective. In the course of this new share buyback program, up to 5,000,000 company shares could be bought back via the stock exchange. The buyback followed an authorization of the Annual Shareholders' Meeting of May 31, 2012 to buy back shares representing up to 10% of the Company's capital stock. The authorization was issued for the period up to November 30, 2013.

As part of this share buyback program, 337,798 treasury shares were purchased. Together with 5,662,202 treasury shares from earlier share buyback programs, United Internet thus held a total of 6,000,000 treasury shares.

Based on the authorization granted by the Annual Shareholders' Meeting of United Internet AG on May 31, 2012 regarding the acquisition and use of treasury shares, and with the approval of the Supervisory Board, the Management Board resolved on February 1, 2013 to cancel these 6,000,000 treasury shares and to reduce the capital stock of United Internet AG by € 6,000,000 million, from € 200,000,000 to € 194,000,000. The number of shares issued decreased correspondingly from 200,000,000 shares to 194,000,000 shares. Issued shares continued to represent a notional share of capital stock of 1 euro each. Following the cancellation of shares, further shares were bought back in the subsequent course of the year.

The share buyback program adopted on January 7, 2013 on the basis of an authorization of the Annual Shareholders' Meeting of May 31, 2012 was revoked by the Annual Shareholders' Meeting of May 23, 2013 on expiry of May 23, 2013 with effect in future. At the same time, with a resolution adopted on May 23, 2013, the Annual Shareholders' Meeting authorized United Internet AG to buy back treasury shares representing up to 10% of the company's capital stock. The authorization was issued for the period up to November 23, 2014.

On the basis of this authorization, the Management Board of United Internet AG resolved on May 24, 2013 to launch a new share buyback program. In the course of this new share buyback program, up to 1,000,000 company shares (corresponding to approx. 0.52% of capital stock) are to be bought back via the stock exchange.

Following buybacks and issues based on existing employee stock ownership plans, the Company held 483,568 treasury shares as of June 30, 2013.

15. Reserves

The change in revaluation reserves resulted mainly from the subsequent valuation of shares in Goldbach and Hi-media. Profits and losses from subsequent valuation to fair value are recognized directly in equity capital at net value, i.e. less deferred taxes. Please see Note 8 for details.

Changes in the fair value of interest swaps concluded as part of cash flow hedges, as well as the opposing deferred taxes on these fair value changes, were recognized in the cash flow hedge reserve.

Other items

16. Employee stock ownership plans

The employee stock ownership plans of the United Internet Group employ virtual stock options (so-called Stock Appreciation Rights - SARs). The changes in the virtual stock options granted and outstanding are shown in the following table:

	United Internet AG		Sedo Holding AG	
	SAR	Average strike price (€)	SAR	Average strike price (€)
Outstanding as of December 31, 2012	6,268,375	10.84	80,000	9.86
Issued	1,000,000	16.06	–	–
Issued	400,000	18.13	–	–
Issued	300,000	21.95	–	–
Expired / forfeited	–400,000	13.74	–40,000	4.21
Expired / forfeited	–400,000	15.77	–	–
Expired / forfeited	–53,000	6.07	–	–
Expired / forfeited	–100,000	8.96	–	–
Expired / forfeited	–10,000	13.65	–	–
Expired / forfeited	–200,000	13.89	–	–
Expired / forfeited	–49,800	5.52	–	–
Expired / forfeited	–200,000	9.73	–	–
Expired / forfeited	–30,000	11.73	–	–
Exercised	–850,000	12.85	–	–
Exercised	–2,500	6.07	–	–
Exercised	–509,450	5.52	–	–
Exercised	–5,000	11.33	–	–
Exercised	–20,000	12.12	–	–
Exercised	–125,000	12.03	–	–
Outstanding as of June 30, 2013	5,013,625	13.03	40,000	15.51

17. Additional details on financial instruments

The fair values of financial assets and liabilities correspond to their respective carrying values.

The following table presents the carrying values of each category of financial assets and liabilities as of June 30, 2013:

	Valuation category acc. to IAS 39 €k	Carrying value on June 30, 2013 €k	Amortized cost €k	Fair value not through profit or loss €k	Fair value through profit or loss €k	Fair value on June 30, 2013 €k
Financial assets						
Cash and cash equivalents	lar	35,702	35,702			35,702
Trade accounts receivable	lar	144,729	144,729			144,729
Other current financial assets	lar	9,358	9,358			9,358
Other non-current financial assets	lar/afs					
Purchase price receivable	lar	9,816	9,816			9,816
Investments	afs	41,418	19,403	22,015		41,418
Others	lar	17,558	17,558			17,558
Financial liabilities						
Trade accounts payable	flac	226,073	226,073			226,073
Liabilities due to banks	flac	297,081	297,081			297,081
Other financial liabilities	flac/hft/hd					
Interest swaps – not hedge accounting	hft	3,515			3,515	3,515
Interest swaps – hedge accounting	hd	8,402		8,402		8,402
Others	flac	76,670	76,670			76,670
Of which aggregated acc. to valuation categories:						
Loans and receivables (lar)	lar	217,163	217,163	0	0	217,163
Available-for-sale (afs)	afs	41,418	19,403	22,015	0	41,418
Financial liabilities measured at amortised cost (flac)	flac	599,824	599,824	0	0	599,824
Held-for-trading (hft)	hft	–3,515	0	0	–3,515	3,515
Hedging derivatives (hd) (negative market value)	hd	8,402	0	8,402	0	8,402

The fair values of financial instruments were measured on the basis of market information available on the reporting date.

Fair values of available-for-sale financial assets are derived from quoted market prices in active markets, if available, or otherwise estimated using appropriate valuation techniques. Investments which are categorized as available-for-sale financial assets and whose fair value cannot be estimated using valuation techniques due to uncertainties, are measured at amortized cost.

The Group enters into derivative financial instruments principally with financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps. The most frequently applied valuation techniques include swap models using present value calculations. These models use mainly interest rate curves as the valuation parameters.

Compared to December 31, 2012, there were no significant changes in the composition of financial instruments nor the methods and assumptions applied to measure fair value.

Hierarchy of assets and liabilities measured at fair value:

	As of June 30, 2013 €k	Level 1 €k	Level 2 €k	As of Dec. 31, 2012 €k	Level 1 €k	Level 2 €k
Available-for-sale financial assets						
Listed shares	22,015	22,015		23,524	23,524	
Financial liabilities at fair value through profit or loss						
Interest rate swap	3,515		3,515	7,100		7,100
Financial liabilities at fair value not through profit or loss						
Interest rate swap	8,402		8,402	11,356		11,356

The hierarchy for determining and disclosing the fair value of financial instruments by valuation technique did not change from that used as of December 31, 2012.

18. Transactions with related parties

United Internet AG is subject to significant influence, as defined by IAS 24, from Mr. Ralph Dommermuth, the major shareholder, as well as from the members of the Management Board and Supervisory Board.

As of January 1, 2013, Mr. Robert Hoffmann was appointed to the Management Board of United Internet AG as an additional member. Otherwise, there were no changes to the circle of related parties as compared with the consolidated financial statements as at December 31, 2012.

The number of shares and subscription rights in United Internet AG held directly or indirectly by members of the Management Board and Supervisory Board is shown in the following table:

	June 30, 2013	
	Shares (units)	Subscription rights (units)
Executive Board		
Ralph Dommermuth	85,000,000	-
Norbert Lang	625,000	200,000
Robert Hoffmann	60,000	1,625,000
Total	**85,685,000**	**1,825,000**
Supervisory Board		
Kurt Dobitsch (Chairman)	–	–
Kai-Uwe Ricke	–	–
Michael Scheeren	600,000	–
Total	**600,000**	**–**

In connection with the employee stock ownership plan of United Internet AG, Mr. Norbert Lang exercised 1.0 million subscription rights and Mr. Robert Hoffmann 125,000 subscription rights in the reporting period 2013. Mr. Ralph Dommermuth sold 3.0 million shares of United Internet AG in the reporting period 2013. This corresponds to 1.55% of current share capital amounting to € 194 million.

United Internet's premises in Montabaur and Karlsruhe are leased from Mr. Ralph Dommermuth. The resulting rent expenses are customary and amounted to € 3,030k in the reporting period of 2013 (prior year: € 1,413k).

The United Internet Group can also exert a material influence on its associated companies.

No significant transactions took place.

19. Subsequent events

In early July 2013, United Internet acquired 28.36% of shares in Open-Xchange AG, Nuremberg, an email and collaboration specialist.

Montabaur, August 14, 2013

The Management Board

Ralph Dommermuth Robert Hoffmann Norbert Lang

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated 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 Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Montabaur, August 14, 2013

Board of Management

Ralph Dommermuth   Robert Hoffmann   Norbert Lang

Income Statement

Quarterly development in € million

	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q2 2012
Sales	603.1	630.0	629.7	653.3	586.6
Cost of sales	–394.8	–408.0	–413.2	–437.3	–391.2
Gross profit	**208.3**	**222.0**	**216.5**	**216.0**	**195.4**
Selling expenses	–108.3	–121.2	–115.9	–123.9	–112.8
General administrative expenses	–27.1	–32.4	–28.5	–27.7	–27.9
Other operating income / expense	–3.9	16.5	–0.3	0.1	4.4
Amortization of intangible assets resulting from company acquisitions	–3.6	–3.5	–3.5	–3.4	–3.6
Amortization of goodwill	0.0	0.0	0.0	0.0	–46.3
Operating result	**65.4**	**81.4**	**68.3**	**61.1**	**9.2**
Financial result	–3.2	–3.0	–2.7	–2.5	0.4
Result from at-equity companies	–0.5	3.4	–1.5	–1.3	–4.5
Pre-tax result	**61.7**	**81.8**	**64.1**	**57.3**	**5.1**
Income taxes	–17.2	–33.5	–19.6	–18.8	–18.8
Net income	**44.5**	**48.3**	**44.5**	**38.5**	**–13.7**
Attributable to					
- non-controlling interests	0.0	0.2	0.2	0.1	0.0
- shareholders of United Internet AG	44.5	48.1	44.3	38.4	–13.7
Result per share of shareholders of United Internet AG (in €)					
- basic	0.23	0.25	0.23	0.20	–0.07
- diluted	0.23	0.24	0.23	0.19	–0.07

Financial calendar

March 21, 2013	Annual financial statements for fiscal year 2013 press and analyst conference
May 21, 2013	3-Month Report 2013
May 23, 2013	Annual Shareholders' Meeting, Alte Oper, Frankfurt/Main
August 14, 2013	6-Month Report 2013
November 14, 2013	9-Month Report 2013

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Possible addition differences due to rounding effects.

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