9-Month Report

2014

united internet

Selected key figures

	2014 Jan. – Sept.	2013 Jan. – Sept.	Change
Net income (in € million) without one-off income[1]			
Sales	2,170.9	1,955.1	+ 11.0%
EBITDA	379.8	280.5	+ 35.4%
EBIT	313.7	210.6	+ 49.0%
EBT	303.4	198.4	+ 52.9%
EPS (in €)	1.08	0.69	+ 56.5%
Balance sheet (in € million)			
Current assets	460.1	294.6	+ 56.2%
Non-current assets	1,388.9	987.3	+ 40.7%
Equity	837.2	246.9	+ 239.1%
Equity ratio	45.3%	19.3%	
Total assets	1,849.0	1,281.9	+ 44.2%
Cash flow (in € million)			
Operative cash flow	285.2	185.2	+ 54.0%
Cash flow from operating activities	274.0	196.9	+ 39.2%
Cash flow from investing activities	–348.5	–192.4	
Free cash flow[2]	239.8	155.3	+ 54.4%
Employees			
Headcount at the end of September[3]	6,834	6,670	+ 2.5%
of which “domestic”	5,175	5,019	+ 3.1%
of which “foreign”	1,659	1,651	+ 0.5%
Share (in €)			
Share price at the end of September (Xetra)	33.70	28.00	+ 20.4%
Customer contracts (in million)			
Access, total contracts	6.10	5.36	+ 0.74
of which Mobile Internet	2.37	1.86	+ 0.51
of which DSL complete (ULL)	3.41	3.09	+ 0.32
of which T-DSL / R-DSL	0.32	0.41	– 0.09
Business Applications, total contracts	5.82	5.72	+ 0.10
of which “domestic”	2.43	2.35	+ 0.80
of which “foreign”	3.39	3.37	+ 0.20
Consumer Applications, total accounts	33.99	33.47	+ 0.52
of which with Premium Mail subscription	1.85	1.89	– 0.04
of which with Value-Added subscription	0.34	0.30	+ 0.04
of which free accounts	31.80	31.28	+ 0.52

[1] 9M 2014 without one-off income from the contribution of GFC investments to Rocket Internet (EBITDA and EBIT effect: € +71.5 million; EPS effect: € +0.36)

[2] Free cash flow is defined as net cash inflows from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment

[3] See Personnel Report on page 24

Content

Dear shareholders, employees and business associates,

United Internet AG can look back on a successful first nine months of 2014. Once again we achieved strong improvements in sales, the number of customer contracts and our key earnings ratios. At the same time, we continued to invest heavily in new customer acquisition, the expansion of our existing customer relationships, and new business fields – thus establishing the basis for our future growth. In addition to these foundations, we also ensured further growth and savings potential with the complete takeover of Versatel and the access this provides to Germany's second-largest fiber-optic network.

Specifically, we succeeded in raising consolidated sales to a new record of € 2.171 billion in the first nine months of 2014 – representing year-on-year growth of 11.0%.

There was also a further increase in customer figures with the addition of 660,000 contracts in the first nine months of 2014. As a result, we now hold a total of 14.11 million fee-based customer contracts.

This growth was driven in particular by our Access business where we gained 390,000 Mobile Internet contracts and 170,000 DSL contracts.

In the Applications segment, we made changes to our sales and marketing measures – as previously announced – during the reporting period. As part of this change, we focused less on new customer acquisition in the first nine months of 2014 and more on developing and expanding existing customer relationships. Nevertheless, we also raised the number of customer contracts in this segment by 100,000 and sold 280,000 new top-level domains (nTLDs) to new and existing customers. At the same time, we reduced start-up losses in our new business fields (De-Mail / 1&1 MyWebsite) and for our "E-Mail made in Germany" initiative to € 34.1 million in the reporting period (prior year: € 87.0 million) – thanks to rising contribution margins and reduced advertising spending. Our focus on these measures is reflected by significantly improved earnings in this segment.

At Group level, earnings in the first nine months of 2014 were affected by one-off income from the contribution of our investments in the portfolio companies of the Global Founders Capital Funds to Rocket Internet AG. This non-cash and non-recurring income accounted for € 71.5 million of total earnings before interest, taxes, depreciation and amortization (EBITDA) in the third quarter or € 0.36 of earnings per share (EPS).

Without this one-off income, EBITDA rose by 35.4% from € 280.5 million to € 379.8 million and EBIT by 49.0% from € 210.6 million to € 313.7 million. Adjusted EPS improved by 56.5% from € 0.69 last year to € 1.08.

Our free cash flow position underlines the entire Group's ability to generate very healthy levels of cash while at the same time achieving strong qualitative growth. At € 239.8 million, this figure was well above the prior-year level of € 155.3 million.

On the back of the company's positive development, our share also continued its good performance and ended the first nine months at € 33.70. This represents growth of 9.0% compared to December 31, 2013, and growth of 20.4% compared to September 30, 2013.

In September 2014, we conducted a capital increase against cash contributions through partial use of Authorized Capital. In a private placement, the new shares were offered exclusively to institutional investors by way of an accelerated bookbuilding placement. The private placement began on September 15 and ended on September 16, 2014. As a result of the capital increase, United Internet's share capital was raised from € 194 million to € 205 million. The 11 million new ordinary registered shares (no-par value shares) were placed at a price of € 32.00 per share. The company received total gross proceeds of around € 352.0 million from the issue (before commissions and expenses). The net proceeds of the capital increase raise the company's financial flexibility from corporate financing.

With the figures for customer contracts, sales, and earnings achieved in the first nine months of 2014 and the investments already made, we are well on track. Against this backdrop, we expect sales growth of around 10% for our business activities to date. Despite the upgraded contract growth forecast in August 2014 (around 900,000 instead of previously > 800,000) and the related increase in costs for customer acquisition, EBITDA is still expected to improve to around € 520 million (prior year: € 407.2 million).

Moreover, new business activities (initial consolidation of Versatel on October 1, 2014) are expected to contribute revenues of approx. € 130 million, EBITDA of approx. € 40 million, and approx. 440,000 further customer contracts.

In addition to the stated one-off income of the third quarter (Rocket transaction), we also expect one-off, non-cash income from the Versatel acquisition in the fourth quarter.

We are well prepared for the next steps in our company's development and upbeat about our prospects for the last quarter of the year. In view of the company's successful performance in the first nine months of 2014, we would like to express our particular gratitude to all employees for their dedicated efforts as well as to our shareholders and customers for the trust they continue to place in United Internet AG.

Montabaur, November 18, 2014

Ralph Dommermuth

Group management report for the first nine months of 2014

Principles of the Group

Business model

Founded in 1988 and headquartered in Montabaur, Germany, United Internet AG is Europe's leading internet specialist with 14.11 million fee-based customer contracts and 31.80 million ad-financed free accounts around the world.

The company's operating activities are divided into the two segments "Access" and "Applications".

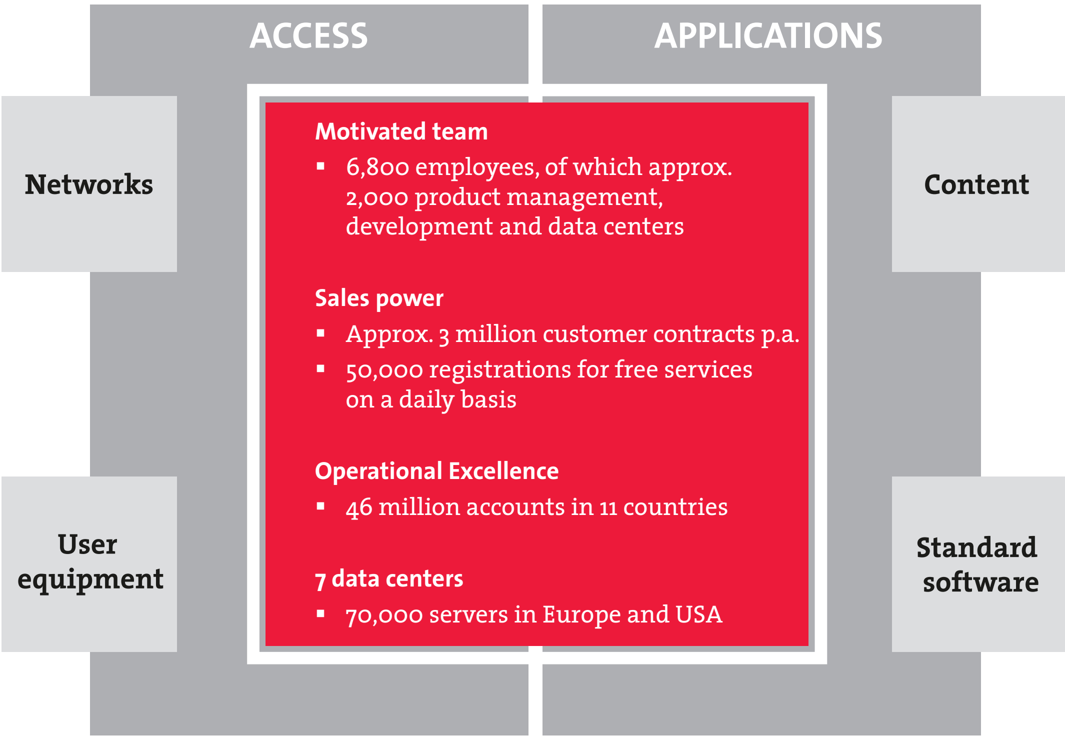
The **Access segment** comprises the company's fee-based landline and mobile access products, including the respective applications (such as home networks, online storage, telephony or video-on-demand). United Internet operates exclusively in Germany in this segment, where it is one of the leading providers. The company remains largely 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 Factories" 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. With the complete takeover of Versatel on October 1, 2014, United Internet now also has its own network. With a length of around 37,000 km, it is Germany's second-largest fiber-optic network. With its own network infrastructure, United Internet also has the opportunity to source internally produced DSL pre-services in the future and thus to reduce costs. Moreover, Versatel adds voice, data and network solutions for small and medium-sized companies, as well as infrastructure services for large corporations, to the existing product portfolio.

The **Applications segment** comprises the company's application business – whether ad-financed or via fee-based subscriptions. These applications include domains, home pages, webhosting, 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 by the company's "Internet Factories" or in cooperation with partner firms and operated at the company's seven data centers. In its Applications segment, United Internet is also a global player with activities in numerous European countries (Germany, France, the UK, Italy, Austria, Poland, Switzerland and Spain) as well as North America (Canada, Mexico and the USA). Applications are marketed to specific target groups via the differently positioned brands GMX, mail.com, WEB.DE, 1&1, Arsys, InterNetX, Fasthosts and united-domains. United Internet also offers its customers performance-based advertising and sales platforms on the internet via Sedo and affilinet.

Group structure, strategy and control

With reference to the Group's structure, strategy and control, we refer to the explanations provided in the combined Management Report 2013 (Annual Report 2013, pages 42 et seq.). There have been no significant changes from the Group perspective.

BUSINESS MODEL



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. For this reason, United Internet does not disclose key figures for R&D.

At the same time, the United Internet brands stand for 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.

In addition to constant improvements and measures to secure the reliable operation of all services offered, the approximately 2,000 developers, product managers and technical administrators at United Internet's domestic and foreign development centers worked in particular on the following projects during the first nine months of 2014:

- Provision of registration processes for new top-level domains (nTLDs)
- Development and implementation of new e-shops based on the technology of United Internet investment ePages
- Change of SSL encryption for all e-mail services to German keys as part of the "E-Mail made in Germany" initiative
- Expansion of the "1&1 MyWebsite" product family with the addition of the new offering "1&1 MyWebsite by Experts"
- Integration of the new pre-service provider E-Plus into the Mobile Internet product portfolio
- Development and integration of "List Local" (1-click publication and updating of company details in online business directories), a new e-business product based on the technology of United Internet investment Uberall
- Development of "Inbox Ad", an innovative advertising tool integrated into GMX and WEB.DE die e-mail accounts
- Development of multi-screen targeting for dialogue marketing campaigns on United Internet portals which is independent of end-device and advertising format
- Migration of all mail.com customers to latest mail client generation

General economic, sector and legal conditions

Macroeconomic development

In its latest report (World Economic Outlook, update October 2014), the International Monetary Fund (IMF) warned against a new global economic crisis. According to the IMF, the risks for the **global economy** have grown again over the past months. As a consequence, the Fund downgraded its global economic forecast for the third consecutive time and now expects growth of just 3.3% for 2014 – 0.4 percentage points less than at the beginning of the year.

The latest economic report states the following reasons for the more modest outlook:

- Stagnation instead of the desired upturn in the eurozone
- Economic damage caused by geopolitical crises (Ukraine, Middle East)
- Overheated financial markets do not reflect real economic situation
- Low capital spending and demand-side stimulation in the major economies
- Lack of structural reforms in numerous nations

Following the end of the third quarter, the IMF is much more upbeat about the prospects for the **US economy** and has raised its growth forecast for 2014 by 0.5 percentage points to 2.2%. However, this means that the forecast for the USA is still 0.6 percentage points below expectations at the beginning of the year. Whereas the outlook for **Canada** was almost unchanged (+0.1 percentage points compared to the January forecast), the IMF strongly downgraded its forecast for **Mexico** during the year by 0.6 percentage points to 2.4%. United Internet's target markets in North America as a whole are therefore performing worse than expected.

Economic development in the **UK** exceeded expectations and consequently the IMF raised its 2014 forecast during the year by 0.7 percentage points to 3.2%.

For the **eurozone,** however, the IMF downgraded its forecast substantially after the third quarter and now expects growth of just 0.8% for 2014 – 0.3 percentage points less than at the beginning of the year. The economic trend varies in United Internet's main target markets: whereas the IMF downgraded its forecast for **France** (-0.5 percentage points to 0.4%) and **Italy** (-0.8 percentage points to -0.2%), the growth outlook for **Spain** was raised by 0.7 percentage points to 1.3%.

After the end of the third quarter, the IMF also strongly downgraded its outlook for **Germany** – United Internet's most important market by far (sales share in 2013: 88.8%) – by 0.5 percentage points to 1.4% or 0.1 percentage points less than at the beginning of the year.

Changes in 2014 growth forecasts for United Internet's key target countries and regions

	January forecast	April forecast	July forecast	October forecast	Change on January
World	3.7%	3.6%	3.4%	3.3%	- 0.4 %-points
USA	2.8%	2.8%	1.7%	2.2%	- 0.6 %-points
Canada	2.2%	2.3%	2.2%	2.3%	+ 0.1 %-points
Mexico	3.0%	3.0%	2.4%	2.4%	- 0.6 %-points
Eurozone	1.1%	1.2%	1.1%	0.8%	- 0.3 %-points
France	0.9%	1.0%	0.7%	0.4%	- 0.5 %-points
Italy	0.6%	0.6%	0.3%	– 0.2%	- 0.8 %-points
Spain	0.6%	0.9%	1.2%	1.3%	+ 0.7 %-points
Germany	1.5%	1.7%	1.9%	1.4%	- 0.1 %-points
UK	2.5%	2.9%	3.2%	3.2%	+ 0.7 %-points

Source: International Monetary Fund, World Economic Outlook (update), October 2014

Germany's economic decline in the first nine months of 2014 is also confirmed by the sentiment barometer (adjusted for price, seasonal and calendar effects) of the German Institute for Economic Research (DIW Berlin). Whereas gross domestic product (GDP) was judged to have grown by 0.7% in the first quarter, there was a decline of 0.2% in the second quarter of 2014. And growth in the third quarter of 2014 was measured at just 0.1%.

GDP development in Germany compared to previous quarter

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014
GDP	+ 0.0%	+ 0.7%	+ 0.3%	+ 0.4%	+ 0.7%	– 0.2%	+ 0.1%

Source: German Institute for Economic Research (DIW); status: October 29, 2014

Sector development

At its economic review press conference on October 28, 2014, the sector association BITKOM downgraded its original growth forecast for the German ICT sector by 0.1 percentage points to 1.6%. The outlook is based on the latest figures of the European Information Technology Observatory (EITO). BITKOM thus largely confirmed the 2014 forecast it made in spring but noted strong shifts between various sub-markets over the course of the year. The market for desktop PCs and notebooks, for example, has returned to growth again while the pace of growth for smartphones and tablets has slowed. At the same time, demand for mobile data services continues to grow while revenues from mobile voice services decline.

All in all, Germany's high-tech companies can look back on a successful 2014 so far. This is also the finding of the latest survey conducted by BITKOM in July 2014. Around 74% of all ITC companies interviewed reported increased revenues, while just 13% suffered falling sales. Companies are equally upbeat about their prospects for 2014 as a whole: 81% of them expect further sales growth, whereas just 8% anticipate a decline in revenue.

Legal conditions / significant events

In the first nine months of 2014, the legal parameters for United Internet's business activities remained largely unchanged from fiscal year 2013 and thus had no significant influence on the development of the United Internet Group.

There were also no significant events in the first nine months of 2014 which had a material influence on the development of business.

Business development of the Group

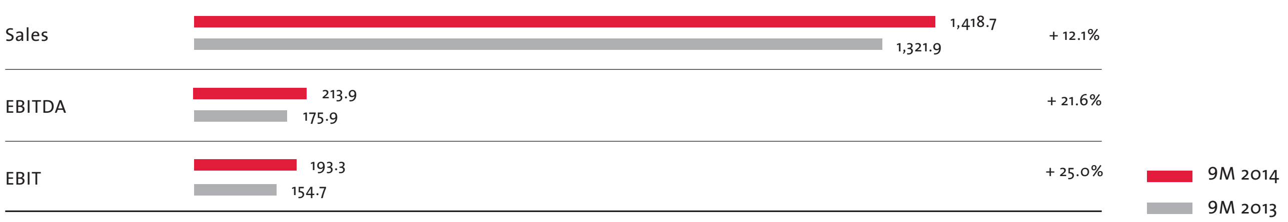
Development of the Access segment

As a result of dynamic customer growth, sales of the Access segment rose by 12.1% to € 1.482 billion in the first nine months of 2014.

In this segment, a marketing campaign for 1&1 DSL premium tariffs was held from January to June 2014. In the course of this campaign, new and existing customers (when changing to a premium tariff) were able to opt for the addition of a heavily subsidized (or even free) brand-name tablet. Costs of approx. € 20.6 million were expensed for the campaign. These investments will have a sustained positive impact on the future development of segment earnings.

All in all, EBITDA and EBIT were up by 21.6% and 25.0% on the previous year at € 213.9 million (prior year: € 175.9 million) and € 193.3 million (prior year: € 154.7 million), respectively. All customer acquisition costs for DSL and Mobile Internet products, as well as costs for the migration of resale DSL connections to complete DSL packages (ULL = Unbundled Local Loop), continue to be charged directly as expenses.

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



Quarterly development (in € million); change over previous quarter

	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q3 2013	Change
Sales	466.4	477.2	495.3	509.2	458.7	+ 11.0%
EBITDA	69.5	55.3	72.7	85.9	67.1	+ 28.0%
EBIT	62.7	47.6	66.2	79.5	60.2	+ 32.1%

Historical development of key sales and earnings figures (in € million)

	9M 2010	9M 2011	9M 2012	9M 2013	9M 2014
Sales	913.0	1,008.2	1,169.0	1,321.9	1,481.7
EBITDA	102.6	109.1	145.5	175.9	213.9
EBITDA margin	11.2%	10.8%	12.4%	13.3%	14.4%
EBIT	82.8	87.2	125.2	154.7	193.3
EBIT margin	9.1%	8.6%	10.7%	11.7%	13.0%

The number of fee-based **Access contracts** rose by 560,000 to 6.10 million contracts in the first nine months of 2014. The segment added 390,000 new customer contracts in its Mobile Internet business and thus raised the number of customers to 2.37 million. There was also growth in the important complete DSL contract business with the addition of 230,000 customer contracts to reach a total of 3.41 million. As expected, the number of customer contracts for those business models being phased out (T-DSL and R-DSL) continued to fall (-60,000 contracts). The total number of DSL contracts therefore grew by a further 170,000 contracts to 3.73 million in the first nine months of 2014.

Development of Access contracts in the first nine months of 2014 (in million)

	Sept. 30, 2014	Dec. 31, 2013	Change
Access, total contracts	6.10	5.54	+ 0.56
of which Mobile Internet	2.37	1.98	+ 0.39
of which DSL complete (ULL)	3.41	3.18	+ 0.23
of which T-DSL / R-DSL	0.32	0.38	– 0.06

Development of Access contracts in the third quarter of 2014 (in million)

	Sept. 30, 2014	June 30, 2014	Change
Access, total contracts	6.10	5.91	+ 0.19
of which Mobile Internet	2.37	2.23	+ 0.14
of which DSL complete (ULL)	3.41	3.34	+ 0.07
of which T-DSL / R-DSL	0.32	0.34	– 0.02

Product highlights in the first nine months of 2014
In the period under review, the United Internet brand 1&1 expanded its Mobile Internet tariff portfolio for notebook, tablet and smartphone users, integrated an additional cellular network with the “E-Netz”, and once again strongly increased its access speeds and data volumes.

- In January 2014, 1&1 added the new “1&1 Notebook Flat Special” to its range of **notebook user tariffs**. For a monthly fee of € 4.99, the tariff includes 500 MB of high-speed surfing volume at up to 14.4 MBit/s. The tariff appeals especially to occasional users. In addition, the three existing 1&1 Notebook Flat tariffs were upgraded and optimized for varying user needs. The “1&1 Notebook Flat L” for € 9.99 per month offers 1.5 GB of high-speed surfing volume at up to 21.6 MBit/s. For € 14.99 per month, “1&1 Notebook Flat XL” includes 3 GB of high-speed surfing volume at up to 21.6 MBit/s. And the “1&1 Notebook Flat XXL” tariff for heavy users now offers 7.5 GB of high-speed surfing volume at speeds of up to 42.2 MBit/s for € 24.99 per month.
- At the same time, 1&1 has also optimized its **tariffs for tablet users**. The new “1&1 Tablet Flat Special” with 500 MB of high-speed surfing volume at up to 14.4 MBit/s was launched for newcomers. The special tariff with a 24-month term costs € 4.99 per month. The “1&1 Tablet Flat L” tariff remains unchanged at € 9.99 per month (without device) or € 19.99 (with free tablet PC) and now offers 1.5 GB of high-speed surfing volume at up to 21.6 MBit/s. The “1&1 Tablet Flat XL” is also unchanged at € 19.99 (without device) or € 29.99 (with free tablet PC) but now offers twice as much high-speed surfing volume (5 GB) at up to 42.2 MBit/s.
- As of July 2014, 1&1 no longer only offers its Mobile Internet tariffs for Germany’s “D Network” cellular phone network but also for the **“E Network”**. This gives customers the option of selecting the best network for them. The “1&1 All-Net-Flat” tariffs for smartphones, the “1&1 Data Flat” tariffs for tablets and notebooks, and the complete hardware range are available for both networks. In addition, the 1&1 cellular tariffs all have speeds up to 42.2 MBit/s as of July 1. In selected regions, the “E Network” also allows speeds of up to 50 MBit/s thanks to **LTE technology**.
- As of September 2014, GMX and WEB.DE have been exclusively marketing the **new “All-Net Smart” mobile tariff**. The special offer is only available for two “SIM-Only” variants and provided via the E-Plus network. Thanks to LTE technology, surfing speeds of up to 25 MBit/s are possible in certain regions. The basic version “All-Net Smart” with 500 MB of data volume and speeds up to 7.2 MBit/s is available for € 7.99 / month. The “All-Net Smart Plus” variant with 1,500 MB of data volume and a speed of up to 21.6 MBit/s is available for € 14.99 / month. Both variants also offer 300 free units for phoning and text messaging in all German mobile and fixed-line networks.

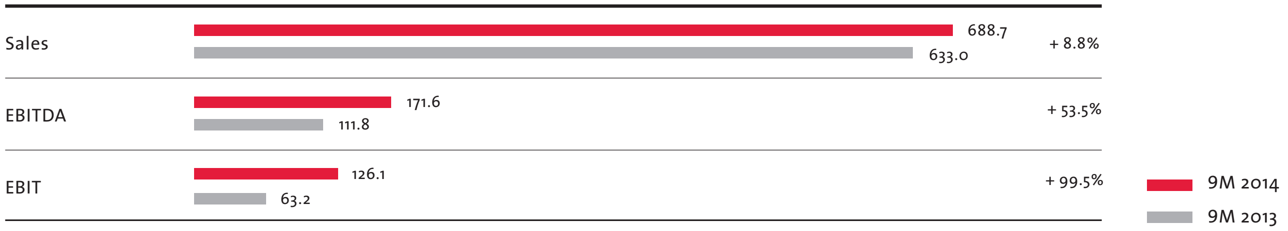
Development of the Applications segment

In the first nine months of 2014, **sales** of the Applications segment rose by 8.8% to € 688.7 million. **Sales abroad** grew by as much as 20.6% to € 258.4 million.

Due to increasing contribution margins and reduced advertising spending, **start-up losse**s in the new business fields (De-Mail and 1&1 MyWebsite) and for the “E-Mail made in Germany” initiative in cooperation with Deutsche Telekom were reduced to € 34.1 million in the reporting period (prior year: € 87.0 million).

This was one of the reasons why earnings easily outpaced sales growth. **EBITDA** was increased by 53.5%, from € 111.8 million last year to € 171.6 million, while **EBIT** improved by 99.5%, from € 63.2 million in the previous year to € 126.1 million. **Customer acquisition costs** in the Applications segment also continue to be charged directly as expenses.

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



Quarterly development (in € million); change over previous quarter

	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q3 2013	Change
Sales	234.0	232.6	228.3	227.8	213.4	+ 6.7%
EBITDA	56.9	58.6	54.8	58.2	41.0	+ 42.0%
EBIT	38.9	43.9	39.7	42.5	23.7	+ 79.3%

Historical development of key sales and earnings figures (in € million)

	9M 2010	9M 2011	9M 2012	9M 2013	9M 2014
Sales	495.5	528.7	597.4	633.0	688.7
Start-up losses new business fields[1]	13.8	16.3	96.8	87.0	34.1
EBITDA	172.8	153.0	92.1	111.8	171.6
EBITDA margin	34.9%	28.9%	15.4%	17.7%	24.9%
EBIT[2]	132.5	112.7	44.0	63.2	126.1
EBIT margin	26.7%	21.3%	7.4%	10.0%	18.3%

[1] Start-up losses = EBITDA-effective start-up losses; in 2014: De-Mail and 1&1 MyWebsite as well as the “E-Mail made in Germany” initiative
[2] 2012 without special items (Sedo impairments: EBIT effect: € -46.3 million)

In the Applications segment, United Internet made changes to sales and marketing measures for its Business Applications – as previously announced – during the reporting period of 2014. As part of this change, there was less focus on new customer acquisition in the year so far and more on the sale of additional features (e.g. further domains, e-shops and business apps) to existing customers. Nevertheless, the number of fee-based Business Applications contracts rose by 90,000 contracts to 5.82 million. Contracts in Germany increased by 60,000 to 2.43 million, while contracts abroad rose by 30,000 to 3.39 million in the first nine months of 2014. The number of 1&1 MyWebsite contracts rose by 10,000 to 0.52 million. In addition, 280,000 nTLDs were sold to new and existing customers. The focus on these measures is reflected by significantly improved earnings in this segment.

Development of Business Applications contracts in the first nine months of 2014 (in million)

	Sept. 30, 2014	Dec. 31, 2013	Change
Business Applications, total contracts	5.82	5.73	+ 0.09
of which “domestic”	2.43	2.37	+ 0.06
of which “foreign”	3.39	3.36	+ 0.03

Development of Business Applications contracts in the third quarter of 2014 (in million)

	Sept. 30, 2014	June 30, 2014	Change
Business Applications, total contracts	5.82	5.77	+ 0.05
of which “domestic”	2.43	2.41	+ 0.02
of which “foreign”	3.39	3.36	+ 0.03

The number of **Consumer Accounts** rose by a total of 300,000 to 33.99 million in the first nine months of 2014, due in particular to the usual seasonal fluctuations in the number of **active free accounts** (+290,000 to 31.80 million). Fee-based **accounts with Premium Mail subscriptions** decreased by 20,000 to 1.85 million. This was brought about by the expanded scope of services provided by competing, ad-financed free accounts. By contrast, fee-based **accounts with Value Added subscriptions** rose by 30,000 to 340,000. As a result, **fee-based Consumer Accounts** rose in total by 10,000 contracts to 2.19 million in the first nine months of 2014. As De-Mail became a standard feature of all free e-mail accounts in the course of the second quarter (instead of being an independent product with separate contract and usage-based fee), United Internet no longer discloses accounts with De-Mail separately.

Development of Consumer Applications contracts in the first nine months of 2014 (in million)

	Sept. 30, 2014	Dec. 31, 2013	Change
Consumer Applications, total accounts	33.99	33.69	+ 0.30
of which with Premium Mail subscription	1.85	1.87	– 0.02
of which with Value-Added subscription	0.34	0.31	+ 0.03
of which free accounts	31.80	31.51	+ 0.29

Development of Consumer Applications contracts in the third quarter of 2014 (in million)

	Sept. 30, 2014	June 30, 2014	Change
Consumer Applications, total accounts	33.99	33.63	+ 0.36
of which with Premium Mail subscription	1.85	1.85	+/– 0
of which with Value-Added subscription	0.34	0.34	+/– 0
of which free accounts	31.80	31.44	+ 0.36

Product highlights in the first nine months of 2014

In the period under review, activities in the field of Business Applications focused on improvements to webhosting packages, the launch of new e-shop software, and the expansion of the 1&1 MyWebsite product family. Of particular note for Consumer Applications were the free integration of De-Mail into the e-mail services of GMX and WEB.DE, as well as the finalization of encrypted communication as part of the “E-Mail made in Germany” initiative.

- In January 2014, 1&1 unveiled numerous changes in the field of its **webhosting packages** which improve the performance and security of websites. The Content Delivery Network (CDN) offers drastically improved loading times for images and content which could not previously be cached. As well as supporting the latest PHP5.5 version, test installations for click & build apps are also offered. In addition, selected packages include 1&1 SiteLock – enabling website operators to monitor the security level of their sites.
- In March 2014, 1&1 presented a **new e-shop generation**. Developed in collaboration with ePages, 1&1 E-Shops offer everything a dealer needs for successful online trading. 1&1 E-Shops automatically adapt to mobile devices, support social networks and offer buyers a genuine online shopping experience. This enables vendors to clearly differentiate themselves from the competition and enjoy online success.

- Also in March 2014, GMX and WEB.DE announced a greatly improved tariff offer for **De-Mail**: as of March 10, 2014, the integrated De-Mail flat rate enables all customers of GMX and WEB.DE to send and receive an unlimited number of De-Mails.
- Within the **"E-Mail made in Germany"** alliance, only SSL keys certified in Germany are now used and all transmission paths have been fully encrypted since April 29, 2014.
- As of May 2014, 1&1 offers a new service for its 1&1 MyWebsite packages. **1&1 MyWebsite by Experts** is targeted at all commercial users who would like a professionally designed website but have no time to set up and maintain their content. From € 49.99 per month, 1&1's experts take over the complete production, administration and marketing of the website and help generate traffic.

Significant changes in investments

Squeeze-out of Sedo Holding

United Internet subsidiary Sedo Holding AG (now Sedo Holding GmbH) held an extraordinary general meeting in Frankfurt am Main on February 3, 2014. At the meeting, shareholders approved the agenda item "Resolution on the transfer of shares held by the remaining shareholders (minority shareholders) of Sedo Holding AG to United Internet Ventures AG, with registered office in Montabaur (majority shareholder), in exchange for appropriate cash consideration pursuant to Secs. 327a ff. AktG (squeeze-out)". The District Court of Cologne entered this resolution in the Commercial Register on March 21, 2014. On entry of this transfer resolution, all shares of the minority shareholders of Sedo Holding AG were transferred by law to United Internet Ventures AG. Following the delisting of Sedo Holding AG shares on March 21, 2014, the admission for trading on the Regulated Market was revoked on March 27, 2014.

With the aid of the squeeze-out, United Internet aims to integrate the business fields operated by Sedo Holding AG – Affiliate Marketing (via affilinet) and Domain Marketing (via Sedo) – more closely into the strategic development of the United Internet Group. In addition to the planned closer integration of Sedo activities with other business fields of the Group, United Internet also aims to make Sedo and affilinet more flexible and effective on the market with the aid of faster decision processes and to save costs relating to its stock market listing and mandatory disclosures.

Investment in ePages

On February 19, 2014, United Internet announced that it had acquired – via United Internet Ventures AG – a stake of 25.1% in the e-shop specialist ePages in the course of a capital increase.

Based in Hamburg, Germany, ePages GmbH is Europe's market leader in online shop software for small and mid-size companies with 80,000 customers. The cloud solution of ePages enables merchants with no prior experience to create professional online shops. The solutions are suitable for a variety of company sizes and are currently marketed via 100 partner companies (e.g. hosting providers, telecommunication companies, business directories etc.). This enables partners to tap new e-business revenue streams without having to develop their own e-shop systems.

In addition to the equity stake, ePages and United Internet's subsidiary 1&1 have agreed a long-term cooperation contract for the use of ePages solutions. As part of this cooperation, there is now a joint technology platform for 1&1 E-Shops. The investment in ePages will complement United Internet's own product portfolio of cloud applications.

Investment in Uberall

On April 17, 2014, United Internet AG announced that it had acquired – via United Internet Ventures AG – a stake of 25% in favor.it labs GmbH, Berlin, operator of the online listing specialist Uberall.com, in the course of a capital increase.

Uberall brings together local companies and customers via the internet. On behalf of its customers, Uberall ensures that companies can be found in all standard directories, online business directories, mobile apps and map services and that all company details are consistent. Uberall also promotes improved customer dialogue with the aid of real-time notifications about reviews and enquiries on the affiliated portals.

In addition, United Internet subsidiary 1&1 signed a long-term cooperation agreement with Uberall to use its solutions. As part of this cooperation, 1&1 uses Uberall's cloud technology which offers all online listing functions freelancers and SMEs need for successful online operations.

Investment in Rocket Internet
On August 15, 2014, United Internet announced that it was investing a total of € 433 million – via its subsidiary United Internet Ventures AG – for a 10.7% stake in Rocket Internet AG, Berlin. The investment cements the long-term strategic relationship between United Internet and Oliver Samwer, Rocket's Chief Executive Officer and co-founder.

The investment consists of € 333 million in cash and € 100 million from the contribution of United Internet's investments in the portfolio companies of the Global Founders Capital Funds (GFC; Global Founders Capital No. 1 and European Founders Fund Nos. 2 and 3). The portfolio comprised over 50 investments held jointly by United Internet and Global Founders Fund GmbH, the private investment company of Oliver Samwer and his brothers. Ralph Dommermuth, CEO of United Internet, was also appointed to Rocket's nine-person Supervisory Board.

Rocket Internet identifies and builds proven internet business models and transfers them to new, underserved or untapped markets where it seeks to scale them into market leading online companies. It aims to become the world's largest Internet platform outside of China and the United States. Rocket is focused on online business models that satisfy basic consumer needs across three sectors: e-commerce, online marketplaces and financial technology. Rocket started in 2007 and now has more than 20,000 employees across its network of companies, which operate in more than 100 countries on five continents. The company's target markets are located mainly in the emerging markets of Latin America, the Middle East, Africa and Asia, as well as in Russia. These markets are generally characterized by fast-growing smartphone penetration, younger populations than developed markets, newly evolving middle classes, and limited access to physical retail infrastructure.

United Internet has been successfully investing in consumer Internet and technology businesses together with the Samwer brothers since 2007. With its strategic investment in Rocket, United Internet has pooled all its investments in the field of e-commerce, marketplaces and financial technology in one place.

By contributing its shares in the investment funds to Rocket, United Internet recognized one-off, non-cash income of € 71.5 million in the third quarter of 2014.

Rocket's initial public offering (IPO) on the Frankfurt Stock Exchange was held on October 2, 2014. In the course of the capital increase held together with the IPO, United Internet's investment was diluted to 8.18%.

100% takeover of Versatel
On September 3, 2014, United Internet announced that it had signed an agreement with the private equity company Kohlberg Kravis Roberts & Co. L.P. (KKR) to acquire the 74.9% of shares in Versatel GmbH, Berlin, held indirectly by funds managed by KKR and thus to raise its holding of Versatel shares to 100%. The share purchase was effected via a complete takeover of Versatel's holding company VictorianFibre Holding Beteiligungs-GmbH.

United Internet had held an indirect stake in Versatel of 25.1% since the end of 2012. For the remaining 74.9% of shares, United Internet paid around € 586 million in cash. The purchase price and repayment of the Versatel Group's existing net bank liabilities of € 361 million was financed by new loans.

In cooperation with staff and KKR, the current Versatel management team has developed a profitable company over the past few years. This positive trend was also accompanied by United Internet via the company's Advisory Board. For the fiscal year 2014, the Management Board expects revenues of approx. € 548 million (prior year: € 547 million) and an EBITDA result of approx. € 164 million (prior year: € 155 million). Free cash flow is expected to be around € 79 million (prior year: € 75 million).

With the acquisition of Versatel, United Internet has gained access to Germany's second-largest fiber-optic network with a length of around 37,000 km. It can be accessed in 226 cities, including 19 of the 25 largest cities in Germany. Over 5,000 locations (companies, institutions etc.) are directly connected to Versatel's fiber-optic network. In addition, Versatel operates approx. 440,000 ADSL and SDSL connections. United Internet has thus strengthened its market position as Germany's second-largest DSL provider after Deutsche Telekom. Versatel's current management team will continue to head the company on its own. The Versatel brand will be retained and the company's B2B business is to be expanded further. In addition, corporate clients are also to be gained in future via the United Internet brand 1&1. Due to its many years of market leadership in the webhosting business, 1&1 has a strong standing with small to mid-size companies and freelancers. United Internet is also planning to source DSL pre-services produced by Versatel in future and thus save up to approx. € 55 million per year. The planned investments for the years up to 2019 – especially for the expansion of Versatel's DSL infrastructure – are likely to total approx. € 145 million.

Following the approval of the relevant antitrust authorities, the transaction was completed on October 1, 2014. In the financial statements for the first nine months, the 25.1% investment in Versatel previously held by United Internet was carried at € 64 million. As of the fourth quarter of 2014, Versatel will be included in the consolidated financial statements of United Internet as a wholly-owned subsidiary. After consideration of transaction costs, the accounting change will result in one-off, non-cash income of approx. € 100 million in the fourth quarter of 2014.

Share and dividend

With growth of 9.0% to € 33.70 as of September 30, 2014 (December 31, 2013: € 30.92), the **United Internet share** continued to grow in value in the first nine months of 2014. Compared to September 30, 2013 (€ 28.00), the share price rose by 20.4%.

The company's Management Board resolved on June 13, 2014 to launch a new **share buyback program**. In the course of this new share buyback program, up to 2,000,000 company shares can be bought back via the stock exchange. The resolution follows the authorization of the Annual Shareholders' Meeting of May 22, 2014 to buy back treasury shares representing up to 10% of the company's capital stock. The authorization was issued for the period up to September 22, 2017. At the end of the reporting period on September 30, 2014, United Internet held 1,144,766 treasury shares, corresponding to around 0.56 % of current capital stock.

On September 15, 2014, the Management Board of United Internet AG, with the approval of the Supervisory Board, resolved on a **capital increase** against cash contributions through partial use of Authorized Capital. In a private placement, the new shares were placed exclusively with institutional investors by way of an accelerated bookbuilding placement. The private placement began on September 15 and ended on September 16, 2014. As a result of the capital increase, the company's share capital was raised from € 194 million to € 205 million. The 11 million new ordinary registered shares (no-par value shares) were placed at a price of € 32.00 per share. United Internet AG generated gross proceeds of around € 352.0 million from the issue (before commissions and expenses). The net proceeds of the capital increase raise the company's financial flexibility from corporate financing. The new shares were admitted to trading without a prospectus on September 17, 2014 and included in the existing quotation in the sub-segment of the Regulated Market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange. The new shares will carry full dividend rights as of January 1, 2014. J.P. Morgan acted as bookrunner and HSBC as co-bookrunner for the placement.

Share development; change over previous year

	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2012	Sept. 30, 2013	Sept. 30, 2014	Change
Closing price (Xetra)	€ 11.86	€ 12.73	€ 15.87	€ 28.00	€ 33.70	+ 20.4%
Number of shares	240 million	215 million	215 million	194 million	205 million	+ 5.7%
Market value	€ 2.85 billion	€ 2.74 billion	€ 3.41 billion	€ 5.43 billion	€ 6.91 billion	+ 27.3%

United Internet AG continued its shareholder-friendly dividend policy in the fiscal year 2014. The Annual Shareholders' Meeting of May 22, 2014 adopted the proposal of the Management Board and Supervisory Board to pay a **dividend** of € 0.40 per share for the fiscal year 2013. This corresponds to 37.4% of consolidated net income after tax for 2013 – and is thus at the upper end of the 20% to 40% of adjusted consolidated net income targeted by the company's dividend policy (unless funds are required for further company development). Based on the closing 2013 price of the United Internet share on September 30, 2014, the dividend yield was 1.2%.

Dividend development for each fiscal year

	For 2010	For 2011	For 2012	For 2013
Dividend per share (in €)	0.20	0.30	0.30	0.40
Dividend payment (in € million)	42.0	58.1	58.0	77.3
Payout ratio	32.4%	35.8%	53.6%	37.3%
Payout ratio without special items [1]	32.4%	35.8%	37.5%	37.3%
Dividend yield [2]	1.6%	1.9%	1.1%	1.2%

[1] Sedo impairments (2012)
[2] As of: September 30

Position of the Group

Earnings position

United Internet AG can look back on a successful first nine months of its fiscal year 2014. Consolidated **sales** grew by 11.0% in the reporting period, from € 1,955.1 million in the previous year to € 2,170.9 million. Sales in the Access segment improved by 12.1%, from € 1,321.9 million to € 1,481.7 million, and in the Applications segment by 8.8%, from € 633.0 million to € 688.7 million. **Foreign sales** (exclusively in the Applications segment) were increased by 20.6%, from € 214.3 million to € 258.4 million.

In the first nine months of 2014, United Internet once again invested heavily in new customer relationships and the expansion of existing customer relationships. The number of **fee-based customer contracts** was increased by 660,000 to a total of 14.11 million. **Customer acquisition costs** continued to be charged directly as expenses.

Gross margin improved from 33.9% in the prior-year period to 34.5% in the first nine months of 2014. As a result of increased sales and the improvement in gross margin, **gross profit** rose by 13.0% – from € 662.4 million in the previous year to € 748.5 million.

Due in particular to reduced advertising spending in new business fields, **sales and marketing expenses** fell from € 351.6 million (18.0% of sales) in the previous year to € 336.7 million (15.5% of sales). **Administrative expenses** increased in line with sales from € 87.2 million in the previous year to € 98.2 million (4.5% of sales in both years).

Development of key cost items (in € million)

	9M 2010	9M 2011	9M 2012	9M 2013	9M 2014
Cost of sales	881.3	1,018.5	1,166.5	1,292.7	1,422.3
Cost of sales ratio	62.5%	66.3%	66.0%	66.1%	65.5%
Gross margin	37.5%	33.7%	34.0%	33.9%	34.5%
Selling expenses	227.0	240.3	340.5	351.6	336.7
Selling expenses ratio	16.1%	15.6%	19.3%	18.0%	15.5%
Administrative expenses	67.9	71.3	79.7	87.2	98.2
Administrative expenses ratio	4.8%	4.6%	4.5%	4.5%	4.5%

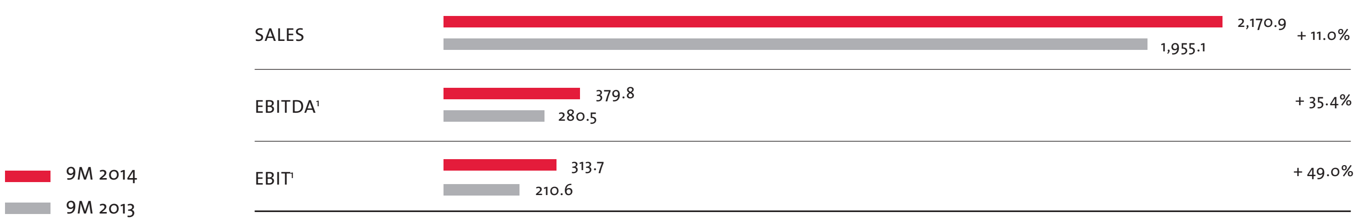
In the Access segment, a **marketing campaign** for 1&1 DSL premium tariffs was conducted in the period January to June 2014. As part of this campaign, new and existing customers (when changing to a premium tariff) were able to opt for the addition of a heavily subsidized (or even free) brand-name tablet. A total of around € 20.6 million was expensed in total for this campaign. These investments will have a sustained positive impact on the future development of segment earnings.

As a result of increasing contribution margins and reduced advertising spending, **start-up losses** in the new business fields (De-Mail / 1&1 MyWebsite) and for the "E-Mail made in Germany" initiative of the Applications segment were reduced to € 34.1 million in the reporting period (prior year: € 87.0 million).

At Group level, earnings in the first nine months of 2014 were affected by **one-off income** from the contribution of investments in the portfolio companies of the Global Founders Capital Funds to Rocket Internet AG. Included in **other operating income** in the third quarter, this non-cash and non-recurring income accounted for € 71.5 million of EBITDA and EBIT or € 0.36 of EPS.

Without this one-off income, **EBITDA** rose by 35.4% from € 280.5 million to € 379.8 million and **EBIT** by 49.0% from € 210.6 million to € 313.7 million. Adjusted **EPS** improved by 56.5% from € 0.69 last year to € 1.08. Including one-off income, EBITDA rose by 60.9% to € 451.3 million, EBIT by 82.9% to € 385.2 million and EPS by 108.7% to € 1.44.

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



Quarterly development (in € million); change over previous quarter

	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q3 2013	Change
Sales	700.6	709.9	723.7	737.3	672.1	+ 9.7%
EBITDA[1]	126.7	112.1	125.5	142.2	105.4	+ 34.9%
EBIT[1]	101.6	89.7	103.8	120.2	81.2	+ 48.0%

Historical development of key sales and earnings figures (in € million)

	9M 2010	9M 2011	9M 2012	9M 2013	9M 2014
Sales	1,409.0	1,537.1	1,766.6	1,955.1	2,170.9
Start-up losses new business fields[2]	13.8	16.3	96.8	87.0	34.1
EBITDA[1]	270.8	261.1	237.7	280.5	379.8
EBITDA margin	19.2%	17.0%	13.5%	14.3%	17.5%
EBIT[1]	210.6	198.8	169.2	210.6	313.7
EBIT margin	14.9%	12.9%	9.6%	10.8%	14.5%

[1] Without special items: 9M 2011 without sale of Versatel shares (EBITDA and EBIT effect: € +24.8 million); 9M 2012 without Sedo impairments (EBIT effect: € -46.3 million); 9M 2014 and Q3 2014 without one-off income from contribution of GFC investments to Rocket Internet (EBITDA and EBIT effect: € +71.5 million)

[2] Start-up losses = EBITDA-effective start-up losses; in 2014: De-Mail and 1&1 MyWebsite as well as the "E-Mail made in Germany" initiative

Financial position

Operative cash flow rose from € 185.2 million in the previous year to € 285.2 million in the first nine months of 2014.

Despite the expansion of business (sales growth of 11.0%), **net cash inflows from operating activities** increased from € 196.9 million to € 274.0 million.

Net cash outflows from investing activities amounted to € 384.5 million in the reporting period (prior year: € 192.4 million). This resulted mainly from disbursements of € 38.5 million (prior year: € 43.5 million) for capital expenditures, as well as from payments for the acquisition of shares in associated companies of € 21.5 million (investments in ePages and favor.it labs, as well as investments via Global Founders Capital No. 1, as well as from investments in other financial assets of € 334.5 million (mainly the investment in Rocket Internet). In addition to capital expenditures, net cash outflows in the previous year mainly included payments for the acquisition of shares in affiliated companies of € 131.4 million (Arsys takeover), and payments for the acquisition of shares in associated companies of € 20.9 million (especially Open-Xchange investment).

Free cash flow (i.e. net cash inflows from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment) amounted to € 239.8 million – compared to € 155.3 million in the previous year. 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 nine months of 2014 was dominated in particular by dividend payments of € 77.3 million (prior year: € 58.0 million) and the purchase of treasury shares amounting to € 32.5 million (prior year: € 27.7 million) as well as – with an opposing effect – the net proceeds from the capital increase amounting to € 348.4 million and new loans of € 3.0 million (prior year: € 94.1 million).

Historical development of key cash flow figures (in € million)

	9M 2010	9M 2011	9M 2012	9M 2013	9M 2014
Operative cash flow	208.5	189.4	168.4	185.2	285.2
Cash flow from operating activities	239.2	152.9	184.9	196.9	274.0
Cash flow from investing activities	–53.8	–3.6	–39.3	–192.4	–384.5
Free cash flow[1]	189.8	122.8	143.2	155.3	239.8
Cash flow from financing activities	–231.7	–162.5	–165.6	6.8	235.6
Cash and cash equivalents on September 30	71.9	82.7	45.5	53.8	169.5

[1] Free cash flow is defined as net cash inflows from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment

Asset position

The **balance sheet total** rose from € 1.270 billion[1] as of December 31, 2013 to € 1.849 billion as of September 30, 2014.

Non-current assets increased from € 970.9 million[1] as of December 31, 2013 to € 1,388.9 million as of September 30, 2014. Within this item, additions to **property, plant and equipment and intangible assets** of € 38.5 million (for furniture and fixtures, as well as software) were opposed by depreciation and amortization of € 66.1 million. Goodwill was virtually unchanged at € 457.3 million. Despite the investments in ePages and favor.it labs, **shares in associated companies** fell from € 115.3 million[1] as of December 31, 2013 to € 98.5 million due to the contribution of shares in the Global Founders Capital Funds to Rocket Internet. **Other financial assets** increased from € 47.6 million[1] to € 487.0 million due in particular to the investment in Rocket Internet. **Non-current prepaid expenses** resulting mainly from prepayments made in connection with long-term purchase agreements rose from € 7.3 million to € 29.7 million.

Current assets increased from € 299.3 million[1] as of December 31, 2013 to € 460.1 million on September 30, 2014. Due to the imminent closing date of the Versatel transaction on October 1, 2014, **cash and cash equivalents** disclosed under current assets rose from € 42.8 million[1] to € 169.5 million in the reporting period. In line with the expansion of business, **trade accounts receivable** increased from € 135.5 million to € 164.9 million. The same applies to **current prepaid expenses**, which increased from € 53.3 million to € 61.0 million.

Current and non-current liabilities increased from € 962.4 million[1] to € 1,011.8 million in the first nine months of 2014. **Trade accounts payables** fell from € 260.2 million to € 251.0 million due to closing-date effects. **Accrued taxes** increased from € 22.2 million to € 46.1 million. As a result of business expansion, **deferred revenue** grew from € 183.7 million to € 200.6 million. In total, **other liabilities** remained largely unchanged. Despite the dividend payment, share buybacks and the cash payment for Rocket shares (totaling € 443.1 million) on the one hand, and net proceeds from the capital increase (€ 348.4 million) on the other – **net bank liabilities** (i.e. bank liabilities netted with cash and cash equivalents) were reduced by € 123.9 million, from € 297.3 million[1] to € 173.4 million thanks to the high level of free cash flow.

As a result of the successful development of business and the capital increase, **equity capital** rose from € 307.9 million to € 837.2 million. Despite the strong increase in the balance sheet total, the Group's **equity ratio** improved from 24.2% as of December 31, 2013 to 45.3% as of September 30, 2014.

As of September 30, 2014, United Internet held 1,144,766 **treasury shares**.

Historical development of key balance sheet figures (in € million)

	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2013	Sept. 30, 2014
Total assets	1,271.3	1,187.0	1,107.7	1,270.3[1]	1,849.0
Cash and cash equivalents	96.1	64.9	42.6	42.8[1]	169.6
Shares in associated companies	84.1	33.6[2]	90.9[2]	115.3[1]	98.5
Property, plant and equipment	108.7	110.9	109.2	116.2	110.6
Intangible assets	221.4	187.4	151.8	165.1	142.6
Goodwill	402.9	401.3	356.2[3]	452.8[3]	457.3
Liabilities due to banks	369.4	524.6[4]	300.3[4]	340.0	343.0
Capital stock	240.0	215.0[5]	215.0	194.0[5]	205.0
Treasury stock	241.0	270.8	263.6	5.2[5]	32.6
Equity	382.4	154.8[6]	198.1	307.9	836.5
Equity ratio	30.1%	13.0%	17.9%	24.2%	45.3%

1 Retroactively adjusted (see "New mandatory accounting standard" on page 23)
2 Sale of Versatel shares (2011); repurchase of Versatel shares via Versatel's holding company (2012)
3 Decrease due to impairments of Sedo Holding (2012); increase due to Arsys takeover (2013)
4 Increase due to share buybacks; decrease due to repayment of loans
5 Decrease due to share cancellations
6 Decrease due to share buybacks

New mandatory accounting standard

The risk-opportunity approach previously specified by SIC-12 is no longer relevant for the purpose of assessing the existence of control under IFRS 10. The amendments meant that shares in the special-purpose vehicles European Founders Fund No. 2 and No. 3 (since contributed to Rocket Internet AG), which were fully consolidated until December 31, 2013, have been regarded as associates since January 1, 2014 and were accounted for in the Consolidated Financial Statements using the equity method. IFRS 10 is to be applied retrospectively, i.e. prior-year figures were adjusted accordingly. The new mandatory accounting standard did not have any impact on net income for the period or the company's equity. Please refer to the Annual Report 2013, page 132 et seq., for further details.

Management Board's overall statement on the current business situation

Although the economic trend in most target countries was worse than expected and growth in certain product markets was mostly modest, United Internet AG continued its dynamic development in the first nine months of 2014 with an increase of 660,000 customer contracts to 14.11 million contracts, sales growth of 11.0% to € 2.171 billion and an improvement in EBITDA of 35.4% to € 379.8 million.

At the same time, the company made further heavy investments in new business fields, in new customer acquisition, and in the expansion of existing customer relationships – thus cementing the basis for future growth. Moreover the complete takeover of Versatel and the access this provides to Germany's second-largest fiber-optic network, ensured additional growth and savings potential.

The company's dynamic development once again 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 grasp opportunities in existing and new business fields and markets – organically or via acquisitions and investments.

The financial position of United Internet AG also made strong progress. The free cash flow position underlines the entire Group's ability to generate very healthy levels of cash – while at the same time achieving strong qualitative growth. At € 239.8 million, this figure was well above the prior-year level (€ 155.3 million).

Despite the dividend payment, share buybacks and the cash payment for Rocket shares (totaling € 442.8 million) on the one hand, and net proceeds from the capital increase (€ 348.4 million) on the other – net bank liabilities were reduced by € 123.9 million to € 173.4 million thanks to the high level of free cash flow.

With the figures for customer contracts, sales and earnings achieved in the first nine months of 2014 and the investments already made, the Management Board believes that the company is well on track to meet its targets and very well positioned for further growth.

Personnel report

Changes to the Management Board

With effect from October 1, 2014, the Supervisory Board of United Internet AG appointed Mr. Jan Oetjen and Mr. Martin Witt to the company's Management Board, which formerly comprised three members. In his new position, Mr. Oetjen is responsible for United Internet's Consumer Applications business. His previous operating role as CEO of the Group subsidiary WEB.DE and GMX Mail & Media SE are not affected. The same applies to Mr. Witt, who is responsible for the Access business of United Internet AG and at the same time remains CEO of the Group subsidiary 1&1 Telecommunication AG.

As of October 1, 2014, the Management Board of United Internet AG thus comprises five members:

- **Ralph Dommermuth**, Chief Executive Officer
- **Robert Hoffmann**, Member of the Management Board for Business Applications, Deputy CEO
- **Jan Oetjen**, Member of the Management Board for Consumer Applications
- **Martin Witt**, Member of the Management Board for Access
- **Norbert Lang,** Chief Financial Officer

Born in 1972, Jan Oetjen joined the United Internet Group in October 2008 and has since been responsible for the Mail and Portal businesses (Consumer Applications) of the GMX and WEB.DE brands. Under his leadership, United Internet acquired the portal mail.com in 2010. He also headed the Group's launch of De-Mail services in 2013 as well as the security initiative "E-Mail made in Germany" in cooperation with Deutsche Telekom.

Martin Witt, born in 1955, joined the Management Board of 1&1 Telecommunication AG on April 1, 2014. He was previously a member of the Management Board with responsibility for the Access business at 1&1 Internet AG after heading the Access Product Management division from July 2009 to June 2011. In 2013, Mr. Witt was elected to the Executive Committee of the German Association of Telecommunications and Value-Added Service Providers (Verband der Anbieter von Telekommunikations- und Mehrwertdiensten e. V. – VATM) and is actively engaged in the NGA Forum of Germany's Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railway (Bundesnetzagentur) as well as the German government's IT Summit.

Headcount development and personnel expenses

As a result of the ongoing expansion of business, there was a further increase in headcount. As of September 30, 2014, United Internet employed a total of 6,834 people. Compared to the same date last year (6,670 employees[1]), headcount increased by 164 staff or 2.51%.

Of this total, 1,989 people were employed in the Access segment (prior year: 1,984[1]), 4,809 in the Applications segment (prior year: 4,653[1]) and 36 at the Group's headquarters (prior year: 33[1]).

The number of employees in Germany rose by 156 or 3.1%, from 5,019 in the previous year[1] to 5,175 as of September 30, 2014. At the Group's companies outside Germany, headcount increased by 8 or 0.5%, from 1,651 in the previous year[1] to 1,659.

Headcount development (domestic/foreign and by segment); change over previous year

	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2012	Sept. 30, 2013[1]	Sept. 30, 2014	Change
Employees, total	4,869	5,407	6,110	6,670	6,834	+ 2.5%
thereof domestic	3,923	4,259	4,767	5,019	5,175	+ 3.1%
thereof foreign	946	1,148	1,343	1,651	1,659	+ 0.5%
Access segment	1,753	1,773	1,905	1,984	1,989	+ 0.3%
Applications segment	3,090	3,605	4,174	4,653	4,809	+ 3.4%
Headquarters	26	29	31	33	36	+ 9.1%

[1] The headcount statistics of United Internet AG were revised as of June 30, 2014 and now disclose only active employees. The comparative figures as of September 30, 2013 were adapted retroactively.

Personnel expenses rose more slowly than sales by 9.4%, from € 228.6 million in the first nine months of 2013 to € 250.0 million in the first nine months of 2014. The personnel expense ratio fell correspondingly from 11.7% in the previous year to 11.5%.

Development of personnel expenses (in € million); change over previous year

	9M 2010	9M 2011	9M 2012	9M 2013	9M 2014	Change
Personnel expenses	148.4	167.6	202.6	228.6	250.0	+ 9.4%
Personnel expense ratio	10.5%	10.9%	11.5%	11.7%	11.5%	

Subsequent events

There were no significant events subsequent to the reporting date of September 30, 2014 which had a material effect on the company's financial position and performance or affected the company's accounting and reporting.

Statements on the economic position of the United Internet Group at the time of preparing this Management Report can be found in the "Forecast Report".

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.

Management Board's overall assessment of the Group's risk and opportunity 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.

In the first nine months of 2014, the overall risk and opportunity situation remained mostly stable compared with the risk and opportunity report provided in the Annual Report 2013 (page 84 et seq.). The stock exchange risk (belonging to financial market risks) increased as a result of the investment in Rocket Internet AG – the third investment in listed company (after Hi-Media and Goldbach).

There were no recognizable risks which directly jeopardized the continued existence of the United Internet Group during the reporting period nor at the time of preparing this Management Report, neither from individual risk positions nor from the overall risk situation.

From the current perspective, the main challenges still focus on the risks "potential threats via the internet", "complexity and manipulability of hardware and software used", "political and legal" risks, as well as risks from the field of "market and fraud".

The further expansion of its risk management system enables United Internet to limit such risks to a minimum, where sensible, by implementing specific measures.

Forecast report

Economic prospects

After completing the first nine months of 2014, the IMF downgraded its forecasts for 2014 and 2015 as well as its expectations for the global economy in its "World Economic Outlook" of October 2014. The Fund currently expects growth of just 3.3% for 2014 – 0.4 percentage points less than at the beginning of the year. The forecasts for United Internet's North American target markets Mexico and the USA were downgraded sharply during the year (both -0.6 percentage points), while the outlook for Canada remained largely unchanged (+0.1 percentage points). Outlook adjustments for the European target markets varied: while the forecasts for the UK and Spain were raised strongly during the year (both +0.7 percentage points), the IMF reduced its forecasts for Germany (-0.1 percentage points), France (-0.5 percentage points) and Italy (-0.8 percentage points).

Market forecast: economic development of United Internet's key target countries and regions

	2015e	2014e	2013
World	3.8%	3.3%	3.3%
USA	3.1%	2.2%	2.2%
Canada	2.4%	2.3%	2.0%
Mexico	3.5%	2.4%	1.1%
Eurozone	1.3%	0.8%	–0.4%
France	1.0%	0.4%	0.3%
Italy	0.8%	–0.2%	–1.9%
Spain	1.7%	1.3%	–1.2%
Germany	1.5%	1.4%	0.5%
UK	2.7%	3.2%	1.7%

Source: International Monetary Fund, World Economic Outlook (Update), October 2014

Sector and market expectations

Further international and national growth is forecast for the IT and telecommunications industry (ICT) in 2014. According to the German industry association BITKOM, the **global ICT market** will grow by 4.5% to € 2.96 trillion in 2014. The **ICT market in the EU** is expected to grow by 1.3% in 2014. The association announced this outlook at its annual CeBIT press conference on March 9, 2014.

At its economic review press conference on October 28, 2014, the sector association downgraded its original growth forecast for the **German ICT sector** by 0.1 percentage points, from 1.7% to 1.6%. The outlook is based on the latest figures of the European Information Technology Observatory (EITO). BITKOM thus largely confirmed the 2014 forecast it made in spring but noted strong shifts between various sub-markets. Against this backdrop, the association raised its forecast for the IT sector by 1.5 percentage points to sales growth of 4.3%. At the same time, the forecast for the telecommunications market was downgraded by 1.4% percentage points to a sales decline of 0.9%. Sales of consumer electronics products are also expected to decline by 1.5%, representing a downgrade to the previous forecast of 3.4 percentage points.

Sector forecast: development of ICT market segments in Germany (in € billion)

	2014e	2013	Change
Total ICT market	153.4	151.0	+ 1.6%
Information technology sub-market	77.8	74.6	+ 4.3%
Telecommunications sub-market	65.0	65.6	– 0.9%
Consumer electronics sub-market	10.6	10.7	– 1.5%

Source: BITKOM

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

German broadband market

In view of the comparatively high level of household coverage of over 80% already achieved – and the trend toward mobile internet – the experts of PricewaterhouseCoopers continue to forecast only moderate growth for the German broadband market (fixed line-based). According to the survey “German Entertainment and Media Outlook 2013-2017” of October 2013, PricewaterhouseCoopers expects an increase of 0.9% to € 7.65 billion in 2014.

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

	2014e	2013	Change
Sales	7.65	7.58	+ 0.9%

Source: PricewaterhouseCoopers

German mobile internet market

All experts predict further dynamic growth for the mobile internet market, however. Following market growth of 5.8% to € 9.1 billion in 2013, the industry association BITKOM also expects mobile data services to grow by 5.5% to € 9.6 billion in 2014. This growth will be driven above all by attractive prices for consumers, as well as by the boom in smartphones and tablet PCs and the respective applications (or apps).

Market forecast: mobile internet access (cellular) in Germany (in € billion)

	2014e	2013	Change
Sales	9.6	9.1	+ 5.5%

Source: BITKOM / European Information Technology Observatory (EITO)

Cloud computing market

In an update of its study “Forecast Overview: Public Cloud Services, Worldwide” of August 28, 2013, Gartner forecasts global growth for Public Cloud Services of 17.5%, from $ 131.1 billion to $ 154.1 billion in 2014. Gartner also forecasts growth in 2014 for United Internet’s key markets in North America (+21.7% to $ 51.5 billion) and Western Europe (+12.4% to $ 21.8 billion).

Market forecast: cloud computing (in $ billion)

	2014e	2013	Change
Sales worldwide	154.1	131.1	+ 17.5%
Sales in North America	51.5	42.3	+ 21.7%
Sales in Western Europe	21.8	19.4	+ 12.4%

Source: Gartner

German online advertising market

Advertisers continued to display a strong willingness to invest in online advertising activities in 2013. Experts also forecast further growth in 2014. In its study “German Entertainment and Media Outlook 2013 – 2017” of October 2013, PricewaterhouseCoopers expects an increase of 8.4% to € 5.55 billion.

Market forecast: online advertising in Germany (in € billion)

	2014e	2013	Change
Online advertising revenues	5.55	5.12	+ 8.4%

Source: PricewaterhouseCoopers

Expectations for the company

Focus areas in the fourth quarter of 2014

United Internet AG will maintain its policy of sustainable growth in the future and continue to invest in new customers, new products and new business fields, as well as in its continued internationalization.

In view of its product strategy based on transparency and flexibility, with innovative tariffs offering excellent value for money, United Internet believes it is well positioned in its Access segment. In the fourth quarter of 2014, contract and revenue growth in this segment is once again expected to result from the marketing of DSL connections and Mobile Internet products. In the field of DSL connections, we will focus on the further expansion of V-DSL coverage and the use of the new transmission technology “vectoring” (with speeds of up to 100 MBit/s). As of the fourth quarter of 2014, Versatel GmbH acquired on October 1, 2014 will be included in this segment following its consolidation in the financial statements of United Internet as a wholly-owned subsidiary.

With its strong and specialized brands, a steadily growing portfolio of cloud applications, and existing relations with millions of small businesses, freelancers and private users, United Internet is also well positioned in its Applications segment to utilize the opportunities offered by cloud computing. In the fourth quarter of 2014, the company will continue to focus on further expansion in its current target markets with Business Applications products. Key areas are the marketing of new top-level domains (nTLDs) and the De-Mail business. In the case of Consumer Applications, the main focus remains on secure e-mail communication. The key area is the spread of the “E-Mail made in Germany” initiative launched together with Deutsche Telekom in August 2013, for which a joint TV campaign has been running since April 29, 2014.

In addition to organic growth, United Internet also constantly examines the possibility of company acquisitions and investments. Thanks to its strong cash flow and existing credit lines, United Internet has the necessary funding in place to finance its future growth.

Forecast for fiscal year 2014

With the figures for customer contracts, sales, and earnings achieved in the first nine months of 2014 and the investments already made, United Internet is well on track. Against this backdrop, the company continues to expect sales growth of around 10% for its business activities to date. Despite the upgraded contract growth forecast in August 2014 (around 900,000 instead of previously > 800,000) and the related increase in costs for customer acquisition, EBITDA is still expected to improve to around € 520 million (prior year: € 407.2 million).

Moreover, new business activities (initial consolidation of Versatel on October 1, 2014) are expected to contribute revenues of approx. € 130 million, EBITDA of approx. € 40 million, and approx. 440,000 further customer contracts.

In addition to the stated one-off income of the third quarter (Rocket transaction), the company also expects one-off, non-cash income from the Versatel acquisition in the fourth quarter.

Free cash flow (defined as net cash inflows from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment) will be in excess of € 280 million (without Versatel) in fiscal year 2014.

United Internet AG plans to maintain its shareholder-friendly dividend policy based on continuity in the coming years. 20-40% of net income will continue to be paid to shareholders in the form of dividends in the future (unless funds are required for further company development).

Management Board's overall statement on the anticipated development

The Management Board of United Internet AG is upbeat about the company's prospects for the future. Thanks to a business model based predominantly on electronic subscriptions, the company has the necessary stability to permanently withstand cyclical influences. And with the investments made over the past few years in customer relationships, in new business fields and in 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 its sustainable business policy in the future. Marketing and sales activities will continue to focus mainly on Mobile Internet products in the fourth quarter of 2014. In this business, the market shares in Germany are currently being allocated. United Internet aims to participate in the current market growth and achieve above-average growth. United Internet also plans to leverage the strong positioning of its DSL products and capture further market share.

In addition to the German access market, international business with cloud applications also promises strong potential for the medium- and long-term growth of the company. In the fourth quarter of 2014, the company will continue to focus on expanding business with existing customers. The internet organization ICANN is planning to gradually introduce around 700 new top-level domains (nTLDs) up to the end of 2016. The first new domain endings have been available since the beginning of 2014. By offering such nTLDs, United Internet has accessed new revenue streams for the future. Despite delays by ICANN, a total of 280,000 nTLDs were already sold in the first nine months of 2014.

On the back of a successful first nine months of the year, the Management Board believes (also at the time of preparing this Management Report) that the company is well on its way to reaching the forecasts for the full-year 2014[1] (August forecast) presented in the table below.

Full-year 2014 forecast for United Internet AG[1]

	Key figures for FY 2013	March forecast for FY 2014	August forecast for FY 2014
Fee-based customer contracts (in million)	13.45	+ > 0.8	+ ~ 0.9
Sales (in € billion)	2.656	+ ~10% to > 2.9	+ ~10% to > 2.9
EBITDA (in € million)	407.2	~520	~520
EPS (in €)	1.07	1.40 – 1.50	1.40 – 1.50

[1] This guidance provides an outlook on the purely organic development of United Internet from ordinary operations. In other words, the contribution of Versatel to customer figures, sales and earnings and the one-off income from the Rocket investment and Versatel acquisition are not considered.

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.

Financial Statements

Balance Sheet

as of September 30, 2014 in €k

	September 30, 2014	December 31, 2013[1]
ASSETS		
Current assets		
Cash and cash equivalents	169,549	42,775
Trade accounts receivable	164,905	135,524
Inventories	40,473	44,388
Prepaid expenses	60,976	53,264
Other financial assets	21,744	18,664
Other non-financial assets	2,406	4,734
	460,053	299,349
Non-current assets		
Shares in associated companies	98,483	115,311
Other financial assets	487,007	47,555
Property, plant and equipment	110,563	116,175
Intangible assets	142,553	165,078
Goodwill	457,321	452,812
Prepaid expenses	29,711	7,256
Deferred tax asset	63,292	66,758
	1,388,930	970,945
Total assets	**1,848,983**	**1,270,294**

	September 30, 2014	December 31, 2013[1]
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Trade accounts payable	250,952	260,216
Liabilities due to banks	2,934	23,038
Advance payments received	11,434	11,719
Accrued taxes	46,140	22,245
Deferred revenue	200,557	183,697
Other accrued liabilities	6,724	4,672
Other financial liabilities	84,597	53,217
Other non-financial liabilities	33,067	44,868
	636,405	603,672
Non-current liabilities		
Liabilities due to banks	340,062	317,004
Deferred tax liabilities	25,259	25,427
Other financial liabilities	10,093	16,338
	375,414	358,769
Total liabilities	**1,011,819**	**962,441**
Equity		
Capital stock	205,000	194,000
Additional paid-in capital	367,401	27,702
Accumulated profit	300,953	104,819
Treasury stock	–32,569	–5,178
Revaluation reserves	13,232	9,074
Cash flow hedge reserve	–4,568	–5,376
Currency translation adjustment	–12,908	–19,698
Equity attributable to shareholders of the parent company	**836,541**	**305,343**
Non-controlling interests	623	2,510
Total equity	**837,164**	**307,853**
Total liabilities and equity	**1,848,983**	**1,270,294**

[1] adjusted – see note 2 of the 9-Month Report 2014

Net Income

from January 1 to September 30, 2014 in €k

	2014 January – Sept.	2013[1] January – Sept.
Sales	2,170,859	1,955,124
Cost of sales	-1,422,325	-1,292,743
Gross profit	**748,534**	**662,381**
Selling expenses	-336,724	-351,592
General and administrative expenses	-98,237	-87,150
Other operating income / expenses	77,984	-2,614
Amortization of assets resulting from business combinations	-6,393	-10,464
Operating result	**385,164**	**210,561**
Financial result	-6,710	-7,631
Results from associated companies	-3,566	-4,544
Pre-tax result	**374,888**	**198,386**
Income taxes	-94,772	-64,763
Net income before non-controlling interests	**280,116**	**133,623**
Attributabel to		
- non-controlling interests	182	401
- shareholders of United Internet AG	279,934	133,222

	2014 January – Sept.	**2013**[1] January – Sept.
Result per share of shareholders of United Internet AG (in €)		
- basic	1.44	0.69
- diluted	1.43	0,68
Weighted average shares (in million units)		
- basic	193.99	193.72
- diluted	195.64	195.37
Statement of comprehensive income		
Net income	280,116	133,623
Items that may be reclassified subsequently to profit or loss		
- Currency translation adjustment	6,790	–2,817
- Market value changes of held-for-sale financial instruments after taxes	4,158	–329
- Change in cash flow hedge reserve after taxes	808	2,285
Other result	11,756	–861
Total net income	**291,872**	**132,762**
Attributable to		
- non-controlling interests	182	401
- shareholders of United Internet AG	291,690	132,361

[1] adjusted – see note 2 of the 9-Month Report 2014

Cash Flow

from January 1 to September 30, 2014 in €k

	2014 January – Sept.	2013[1] January – Sept.
Cash flow from operating activities		
Net income	280,116	133,623
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of assets and property, plant and equipment	59,754	59,486
Amortization of assets resulting from business combinations	6,393	10,464
Compensation expenses from employee stock option plans	2,300	2,047
Results of at-equity companies	3,566	4,544
Distributed profit of associated companies	84	110
Income from contributing of associated companies	–71,466	0
Change in deferred taxes	3,297	–21,061
Other non-cash items	1,190	–4,008
Operative cash flow	**285,234**	**185,205**
Change in assets and liabilities		
Change in receivables and other assets	–30,305	39,565
Change in inventories	3,915	–12,571
Change in deferred expenses	–30,167	–18,992
Change in trade accounts payable	–9,262	–60,932
Change in advance payments received	–284	–11,756
Change in other accrued liabilities	2,052	–459
Change in accrued taxes	23,895	29,941
Change in other liabilities	15,419	23,593
Change in deferred income	13,511	23,312
Change in assets and liabilities, total	**–11,226**	**11,701**
Cash flow from operating activities	**274,008**	**196,906**

	2014 January – Sept.	2013[1] January – Sept.
Cash flow from investing activities		
Capital expenditure for intangible assets and property, plant and equipment	–38,513	–43,505
Payments from disposals of intangible assets and property, plant and equipment	4,333	1,923
Purchase of shares in affiliated companies less cash received	0	–131,398
Reduction from disposal of deconsolidated companies	0	–193
Purchase of shares in associated companies	–21,528	–20,906
Refunding from shares in associated companies	6,553	2,639
Investments in other financial assets	–334,469	–106
Payments of loans granted	–2,184	–1,800
Refunding from other financial assets	1,290	979
Cash flow from investment activities	**–384,518**	**–192,367**
Cash flow from financing activities		
Capital increase	348,399	0
Purchase of treasury stock	–32,452	–27,703
Taking out of loans	350,000	94,112
Repayment of loans	–347,046	0
Dividend payments	–77,304	–58,038
Dividend payments to non-controlling interests	–1,359	–1,306
Purchase of further shares in affiliated companies	–4,678	–293
Cash flow from financing activities	**235,560**	**6,772**
Net increase in cash and cash equivalents	125,050	11,311
Cash and cash equivalents at beginning of fiscal year	42,775	42,648
Currency translation adjustments of cash and cash equivalents	1,724	–154
Cash and cash equivalents at end of the reporting period	**169,549**	**53,805**

[1] adjusted – see note 2 of the 9-Month Report 2014

Changes in Shareholders' Equity

from January 1 to September 30, 2014 in €k

	Capital stock		Additional paid-in capital	Accumulated profit	Treasury shares	
	Share	€k	€k	€k	Share	€k
Balance as of January 1, 2013	**215,000,000**	**215,000**	**25,468**	**227,012**	**20,662,202**	**-263,570**
Net income				133,222		
Other net income						
Total net income				**133,222**		
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 programme United Internet			2,047			
Dividend payments				-58,038		
Profit distributions						
Change in amount of holdings				-293		
Balance as of September 30, 2013	**194,000,000**	**194,000**	**27,515**	**41,881**	**483,568**	**-10,251**
Balance as of January 1, 2014	**194,000,000**	**194,000**	**27,702**	**104,819**	**244,265**	**-5,178**
Net income				279,934		
Other net income						
Total net income				**279,934**		
Capital increase	11,000,000	11,000	337,399			
Purchase of treasury shares					1,083,424	-32,452
Issue of treasury shares				-5,061	-182,923	5,061
Employee stock ownership programme United Internet			2,300			
Dividend payments				-77,304		
Profit distributions						
Change in amount of holdings				-1,435		
Balance as of September 30, 2014	**205,000,000**	**205,000**	**367,401**	**300,953**	**1,144,766**	**-32,569**

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
9,621	**–7,942**	**–17,301**	**188,288**	**9,855**	**198,143**
			133,222	401	133,623
–329	2,285	–2,817	–861	0	–861
–329	**2,285**	**–2,817**	**132,361**	**401**	**132,762**
			–27,703		–27,703
			0		0
			0		0
			2,047		2,047
			–58,038		–58,038
			0	–164	–164
			–293	170	–123
9,292	**–5,657**	**–20,118**	**236,662**	**10,262**	**246,924**
9,074	**–5,376**	**–19,698**	**305,343**	**2,510**	**307,853**
			279,934	182	280,116
4,158	808	6,790	11,756	0	11,756
4,158	**808**	**6,790**	**291,690**	**182**	**291,872**
			348,399		348,399
			–32,452		–32,452
			0		0
			2,300		2,300
			–77,304		–77,304
			0	–168	–168
			–1,435	–1,901	–3,336
13,232	**–4,568**	**–12,908**	**836,541**	**623**	**837,164**

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, 2013, the Interim Report of United Internet AG as of September 30,2014 was prepared in compliance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU).

The Condensed Consolidated Interim Report for the period from January 1, 2014 to September 30,2014 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, 2013. 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

Effects on the Consolidated Financial Statements resulted above all from the new standard on consolidated financial statements IFRS 10, which was published in May 2010 as part of a “package” of five new and revised standards. IFRS 10 changes the definition of “control” so that the same criteria are applied to all companies to determine a controlling relationship. This definition is supported by wide-ranging application guidelines illustrating the various ways that a reporting company (investor) can control another company (investment). The risk-opportunity approach previously specified by SIC-12 is no longer relevant for the purpose of assessing the existence of control under IFRS 10. In the course of first-time adoption of IFRS 10, an analysis of the possibility to control the relevant activities of European Founders Fund No. 2 and No. 3 showed that there was no authority to dispose of the variable returns from these investments in the sense of this standard. Moreover, the analysis showed that for both these funds there was no joint control, but rather a significant influence. Accordingly, the shares in the special-purpose vehicles European Founders Fund No. 2 and No. 3, which were fully consolidated until December 31, 2013, were regarded as associates from January 1, 2014 until their contribution to Rocket Internet AG in August 2014 and accounted for in the Consolidated Financial Statements using the equity method. This did not have any impact on net income or shareholders’ equity. However, the application of the equity method means that assets which were disclosed separately as of December 31, 2013 (mainly other non-current assets of € -10,079k) and liabilities (mainly liabilities due to minority interests of € 4,239k) are now disclosed in a summarized form under the item “Shares in associated companies”; the profit contributions from these funds were thus disclosed until August 2014 in a line in “Result from associated companies”. IFRS 10 is to be applied retrospectively, i.e. as if the equity method had always been applied. This resulted in adjustments to prior-year figures in the Interim Financial Statements. Other new standards in the “package” – IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 *Separate Financial Statements*, and IAS 28 *Investments in Associates and Joint Ventures* – had no material impact on the Consolidated Interim Financial Statements of the Company.

The amended standards IAS 32 *Adjustments to Offsetting Financial Assets and Financial Liabilities* and IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* had no material impact on the Consolidated Interim Financial Statements of the Company.

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 acquired and renamed in the reporting period 2014:
- 1&1 Telecommunication Holding SE, Montabaur (formerly Atrium 64. Europäische VV SE, Berlin)
- GMX & WEB.DE Mail & Media SE, Montabaur (formerly Atrium 61. Europäische VV SE, Munich)

The following companies were renamed in the reporting period 2014:
- 1&1 Mail & Media Service GmbH, Montabaur (formerly United Internet Media Software GmbH, Montabaur)
- 1&1 Mail & Media Development GmbH, Montabaur (formerly 1&1 Mail Media Beteiligungen GmbH, Montabaur)

The following companies were founded in the reporting period 2014:
- 1&1 Telecom Sales GmbH, Montabaur
- 1&1 Logistik GmbH, Montabaur

The following associated companies were contributed to Rocket Internet AG in the reporting period 2014:
- Global Founders Capital Verwaltungs GmbH (formerly European Founders Fund Verwaltungs GmbH), Munich (66.67%)
- Global Founders Capital Management GmbH (formerly European Founders Fund Management GmbH), Munich (66.67%)
- Global Founders Capital GmbH & Co. Beteiligungs KG Nr. 1 (formerly European Founders Fund GmbH & Beteiligungs KG Nr. 1), Munich (66.67%)
- European Founders Fund Nr. 2 Verwaltungs GmbH, Munich (90.0%)
- European Founders Fund Nr. 2 Geschäftsführungs GmbH, Munich (90.0%)
- European Founders Fund GmbH & Co. Beteiligungs KG Nr. 2, Munich (90.0%)
- European Founders Fund Nr. 3 Verwaltungs GmbH, Munich (80.0%)
- European Founders Fund Nr. 3 Management GmbH, Munich (80.0%)
- European Founders Fund GmbH & Co. Beteiligungs KG Nr. 3, Munich (80.0%)
- European Founders Fund Nr. 3 Beteiligungs GmbH, Munich (100.0%)
- European Founders Fund Investment GmbH, Munich (33.33%)

The companies mySARL GmbH, Regensburg (100%) and myLTD GmbH, Regensburg (100%) were merged into InternetX GmbH, Regensburg.

Otherwise, the consolidated group remained largely unchanged from that stated in the Consolidated Financial Statements as at December 31, 2013.

This Consolidated Interim Report was not audited according to Sec. 317 HGB nor reviewed by an auditor.

3. Investments in companies

On January 28, 2014, United Internet acquired 25.1% of shares in ePages GmbH, Hamburg, a supplier of online shop software. The purchase price amounted to € 2.8 million. Moreover, 25% of shares in favor.it labs GmbH, Berlin, were acquired for a purchase price of € 2.0 million. These companies are included in the Consolidated Financial Statements of United Internet AG as associates.

On August 15, 2014, United Internet invested a total of € 433 million in an 8.2% stake in Rocket Internet AG, Berlin. The investment consists of € 333 million in cash and € 100 million from the contribution of all investments in the portfolio companies of the Global Founders Capital and European Founders Funds. The contribution of the portfolio companies to Rocket Internet AG resulted in non-cash other operating income of around € 71.5 million. The shares in Rocket Internet AG are disclosed as other financial assets.

Explanations of items in the statement of comprehensive income

4. 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.

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 2014 and 2013 was as follows:

January - September 2014	**Access segment €k**	**Applications segment €k**	**Head Office / Investments €k**	**Reconciliation €k**	**United Internet Group €k**
Total revenues	1,513,668	692,387	4,043	–	–
- thereof internal revenues	31,951	3,731	3,557	–	–
External revenues	1,481,717	688,656	486	–	2,170,859
- thereof domestic	1,481,717	430,298	486	–	1,912,501
- thereof non-domestic	0	258,358	0	–	258,358
EBITDA	213,851	171,564	65,895	0	451,310
EBIT	193,255	126,147	65,762	0	385,164
Financial result			–7,448	738	–6,710
Result from at-equity companies			–3,729	163	–3,566
EBT			54,585	320,303	374,888
Tax expense				–94,772	–94,772
Net income (from continued operations)					**280,116**
Investments in intangible assets, property, plant and equipment	5,455	32,586	472	–	38,513
Amortization/depreciation	20,596	45,417	134	–	66,147
- thereof intangible assets, property, plant and equipment	20,596	39,024	134	–	59,754
- thereof assets capitalized during company acquisitions	0	6,393	0	–	6,393
Number of employees	1,989	4,809	36	–	6,834
- thereof domestic	1,919	3,220	36	–	5,175
- thereof non-domestic	70	1,589	0	–	1,659

January - September 2013	Access segment €k	Applications segment €k	Head Office / Investments €k	Reconciliation €k	United Internet Group €k
Total revenues	1,326,377	635,821	4,771	–	–
- thereof internal revenues	4,488	2,775	4,582	–	–
External revenues	1,321,889	633,046	189	–	1,955,124
- thereof domestic	1,321,889	418,717	189	–	1,740,795
- thereof non-domestic	0	214,329	0	–	214,329
EBITDA	175,896	111,761	–7,146	0	280,511
EBIT	154,657	63,167	–7,263	0	210,561
Financial result			–7,411	–220	–7,631
Result from at-equity companies			–4,718	174	–4,544
EBT			–19,392	217,778	198,386
Tax expense				–64,763	–64,763
Net income (from continued operations)					**133,623**
Investments in intangible assets, property, plant and equipment	2,343	40,718	444	–	43,505
Amortization/depreciation	21,239	48,594	117	–	69,950
- thereof intangible assets, property, plant and equipment	21,239	38,130	117	–	59,486
- thereof assets capitalized during company acquisitions	0	10,464	0	–	10,464
Number of employees	1,984	4,653	33	–	6,670
- thereof domestic	1,824	3,162	33	–	5,019
- thereof non-domestic	160	1,491	0	–	1,651

5. Personnel expenses

Personnel expenses amounted to € 250,012k in the reporting period of 2014 (prior year: € 228,599k). At the end of September 2014, United Internet employed a total of 6,834 people, of which 1,659 were employed outside Germany. The number of employees at the end of September 2013 amounted to 6,670, of which 1,651 were employed outside Germany.

6. Depreciation and amortization

Depreciation and amortization of intangible assets and property, plant and equipment amounted to € 59,754k (prior year: € 59,486k).

Amortization of capitalized intangible assets resulting from business combinations amounted to € 6,393k (prior year: € 10,464k).

Total depreciation and amortization of intangible assets and property, plant and equipment thus amounted to € 66,147k in the reporting period of 2014 (prior year: € 69,950k).

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:

	2014 €k
Carrying amount at the beginning of the fiscal year	115,311
Additions	21,910
Adjustments	
- Dividends	–84
- Shares in result	–3,566
Disposals	–35,087
	98,483

As a result of the changes brought about by IFRS 10, shares held in the special-purpose vehicles European Founders Fund No. 2 and No. 3 which were fully consolidated until December 31, 2013, are regarded as associates as of January 1, 2014 and accounted for in the Consolidated Financial Statements using the equity method. The application of the equity method means that assets and liabilities which were disclosed separately as of December 31, 2013 are now disclosed in a summarized form under the item “Shares in associated companies”. As IFRS 10 is to be applied retrospectively, this led to an increase in the carrying value at the beginning of the fiscal year of € 6,326k.

The additions refer to investments made by Global Founders Capital No. 1 and investments in the companies ePages GmbH and favor.it labs GmbH.

The disposals reflect the contribution of investments in the portfolio companies of the special-purpose vehicles Global Founders Capital and European Founders Fund No. 2 and No. 3 and the contribution of the special-purpose vehicles themselves to Rocket Internet AG in exchange for shares. The shares in Rocket Internet AG are carried as other financial assets in the balance sheet as of September 30, 2014.

8. Other financial assets

The development of these shares was as follows:

	Jan. 01, 2014 €k	Additions €k	Amortization of revaluation reserve not recognized in income: Recycling €k	Amortization of revaluation reserve not recognized in income: Change €k	Impairment €k	Reclassifi-cation €k	Disposals €k	Sept. 30, 2014 €k
Goldbach shares	13,530			765			–590	13,705
Hi-media shares	8,854			3,457				12,311
Afilias shares	8,720							8,720
Rocket Internet shares	0	333,343				100,000		433,343
Others	16,451	3,310				–209	–624	18,929
	47,555	**336,653**	**0**	**4,222**	**0**	**99,791**	**–1,214**	**487,007**

Due to the retrospective application of IFRS 10, shares in the portfolio companies of European Founders Fund 3 are no longer disclosed separately but in a summarized form under the item “Shares in associated companies”. This led to a decrease in the opening amount of € 10,079k.

Additions to other financial assets refer mainly to the purchase of shares in Rocket Internet AG, as described in Note 3, as well as 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 increase in the revaluation reserve without recognition in income.

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

A total of € 38,513k (prior year: € 43,505k) was invested in property, plant and equipment and intangible assets during the interim reporting period. Investments focused mainly on equipment and software.

Goodwill of € 457,321k disclosed as of September 30, 2014 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 of € 1,350 million concluded in August 2014 to finance the purchase of shares in Rocket Internet AG and the Versatel Group. As of September 30, 2014, € 350 million of this credit line has been utilized.

In addition, there is a revolving syndicated loan of € 600 million, which had not been utilized as of September 30, 2014.

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 liabilities from interest hedging transactions, and the option agreement (put option) for the remaining shares in united-domains AG.

14. Capital stock / treasury shares

As of December 31, 2013, the fully paid-in capital stock amounted to € 194,000,000 divided into 194,000,000 registered no-par shares with a theoretical share in the capital stock of € 1 each.

On September 15, 2014, the Management Board of United Internet AG, with the approval of the Supervisory Board, resolved on a capital increase against cash contributions through partial use of Authorized Capital. With the exclusion of subscription rights for existing shareholders, the Company's capital stock was increased to € 205,000,000 by the issue of 11,000,000 new registered no-par value shares against cash contributions. The increase corresponds to approx. 5.7% of previous capital stock.

As of September 30, 2014, the fully paid-in capital stock therefore amounted to € 205,000,000 divided into 205,000,000 registered no-par shares with a theoretical share in the capital stock of € 1 each.

The share buyback program adopted on May 24, 2013 on the basis of an authorization of the Annual Shareholders' Meeting of May 23, 2013 was revoked by the Annual Shareholders' Meeting of May 22, 2014 on expiry of May 22, 2014 with effect in future. At the same time, with a resolution adopted on May 22, 2014, 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 September 22, 2017.

On the basis of this authorization, the Management Board of United Internet AG resolved on June 13, 2014 to launch a new share buyback program. In the course of this new share buyback program, up to 2,000,000 Company shares can be bought back via the stock exchange.

Following buybacks and issues based on existing employee stock ownership plans, the Company held 1,144,766 treasury shares as of September 30, 2014.

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, are 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

	SAR	Average strike price (€)
Outstanding as of December 31, 2013	4,059,000	13.88
Issued	200,000	32.79
Issued	60,000	30.11
Issued	640,000	31.15
Expired/forfeited	1,000	5.52
Expired/forfeited	4,000	6.07
Exercised	519,550	5.52
Exercised	20,000	12.12
Exercised	125,000	12.03
Exercised	100,000	13.43
Outstanding as of September 30, 2014	4,189,450	18.78

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 September 30, 2014:

	Valuation category acc. to IAS 39	Carrying value on Sept. 30, 2014 €k	Valuation acc. to IAS 39 Amortized cost €k	Fair value not through profit or loss €k	Fair value through profit or loss €k	Valuation acc. to IAS 17 €k	Fair value on Sept. 30, 2014 €k
Financial assets							
Cash and cash equivalents	lar	169,549	169,549				169,549
Trade accounts receivable	lar	164,905	164,905				164,905
Other current financial assets	lar						
Purchase price receivable	lar	10,181	10,181				10,181
Others	lar	11,563	11,563				11,563
Other non-current financial assets	lar/afs						
Investments	afs	468,079	442,063	26,016			468,079
Others	lar	18,928	18,928				18,928
Financial liabilities							
Trade accounts payable	flac	–250,952	–250,952				–250,952
Liabilities due to banks	flac	–342,996	–342,996				–342,996
Other financial liabilities	flac/hd/n/a						
Interest swaps - hedge accounting	hd	–6,759		–6,528	–231		–6,759
Finance leases	n/a	–1,404				–1,404	–1,404
Others	flac	–86,257	–86,257				–86,257
Of which aggregated acc. to valuation categories:							
Loans and receivables (lar)	lar	375,126	375,126	0	0	0	375,126
Available-for-sale (afs)	afs	468,079	442,063	26,016	0	0	468,079
Financial liabilities measured at amortized cost (flac)	flac	–680,475	–680,475	0	0	0	–680,475
Hedging derivatives (hd) (negative market value)	hd	–6,759	0	–6,528	–231	0	–6,759
Finance leases	n/a	–1,404	0	0	0	–1,404	–1,404

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, 2013, 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 Sept. 30, 2014 €k	Level 1 €k	Level 2 €k	As of Dec. 31, 2013 €k	Level 1 €k	Level 2 €k
Available-for-sale financial assets						
Listed shares	26,016	26,016		22,384	22,384	
Financial liabilities at fair value not through profit or loss						
Interest rate swap	6,759		6,759	7,915		7,915

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, 2013.

18. Transactions with related parties

IAS 24 defines related parties as those persons and companies that control or can exert a significant influence over the other party. Mr. Ralph Dommermuth, the major shareholder, as well as the members of the Management Board and Supervisory Board of United Internet AG were classified as related parties.

Up to September 30, 2014, there were no changes to the circle of related parties as compared with the consolidated financial statements as at December 31, 2013. On October 1, 2014, Martin Witt and Jan Oetjen were appointed as additional members of the Management Board of United Internet AG.

The number of shares and subscription rights in United Internet AG held directly or indirectly by members of the Management Board and Supervisory Board as of September 30, 2014 is shown in the following table:

	30. September 2014	
	Shares (units)	Subscription rights (units)
Management Board		
Ralph Dommermuth	82,000,000	–
Norbert Lang	453,833	–
Robert Hoffmann	57,055	1,300,000
Total	**82,510,888**	**1,300,000**
Supervisory Board		
Kurt Dobitsch	–	–
Kai-Uwe Ricke	–	–
Michael Scheeren	500,000	–
Total	**500,000**	**–**

In connection with the employee stock ownership plan of United Internet AG, Mr. Norbert Lang exercised 200,000 subscription rights and Mr. Robert Hoffmann 75,000 subscription rights in the reporting period 2014.

Mr. Norbert Lang sold 295,049 shares of United Internet AG in the reporting period 2014. This corresponds to 0.14% of current share capital amounting to € 205 million.

United Internet's premises in Montabaur and Karlsruhe are leased from Mr. Ralph Dommermuth. The resulting rent expenses are customary and amounted to € 5,435k in the reporting period of 2014 (prior year: € 4,612k).

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

No significant transactions took place.

19. Subsequent events

On September 3, 2014, United Internet announced that it had signed an agreement with the private equity company Kohlberg Kravis Roberts & Co. L.P. (KKR) to acquire 74.9% of shares in Versatel GmbH, Berlin, and thus to raise its holding of Versatel shares to 100%. The share purchase was effected via a complete takeover of Versatel's holding company VictorianFibre Holding Beteiligungs-GmbH.

United Internet had held an indirect stake in Versatel of 25.1% since the end of 2012 via VictorianFibre Holding & Co. S.C.A., Luxembourg. For the remaining 74.9% of shares, United Internet paid around € 586 million in cash. In addition, United Internet repaid the Versatel Group's existing net bank liabilities of € 361 million.

As of October 1, 2014, the Versatel Group will be included in the consolidated financial statements of United Internet AG.

Montabaur, November 18, 2014

The Management Board

Ralph Dommermuth   Robert Hoffmann   Norbert Lang   Jan Oetjen   Martin Witt

Income Statement

Quarterly development in € million

	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q3 2013
Sales	700.6	709.9	723.7	737.3	672.1
Cost of sales	-448.5	-463.7	-480.6	-478.1	-442.2
Gross profit	**252.1**	**246.2**	**243.1**	**259.2**	**229.9**
Selling expenses	-116.8	-124.7	-103.1	-108.9	-111.8
General and administrative expenses	-33.3	-31.9	-32.9	-33.4	-31.0
Other operating income / expense	4.0	2.5	-1.3	76.8	-2.4
Amortization of assets resulting from business combinations	-4.1	-2.4	-2.0	-2.0	-3.5
Amortization of goodwill	-0.3	0.0	0.0	0.0	0.0
Operating result	**101.6**	**89.7**	**103.8**	**191.7**	**81.2**
Financial result	-3.5	-2.2	-2.1	-2.4	-2.5
Result from associated companies	-0.2	-1.3	-1.0	-1.3	-1.7
Pre-tax result	**97.9**	**86.2**	**100.7**	**188.0**	**77.0**
Income taxes	-24.6	-26.4	-32.7	-35.7	-26.4
Net income before non-controlling interests	**73.3**	**59.8**	**68.0**	**152.3**	**50.6**
Attributable to					
- non-controlling interests	0.1	0.0	0.0	0.2	0.1
- shareholders of United Internet AG	73.2	59.8	68.0	152.1	50.5
Result per share of shareholders of United Internet AG (in €)					
- basic	0.38	0.31	0.35	0.78	0.26
- diluted	0.38	0.31	0.34	0.78	0.26

Financial calendar

March 27, 2014	Annual financial statements for fiscal year 2013 press and analyst conference
May 20, 2014	3-Month Report 2014
May 22, 2014	Annual Shareholders' Meeting, Alte Oper, Frankfurt/Main
August 14, 2014	6-Month Report 2014 press and analyst conference
November 18, 2014	9-Month Report 2014

Imprint

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November 2014
Registry court: Montabaur HRB 5762

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Possible addition differences due to rounding effects.

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