9-Month Report

2013

Selected key figures acc. to IFRS

	2013 Jan. – Sept.	2012 Jan. – Sept.	Change
Result (without special items* in € million)			
Sales	1,955.1	1,766.6	+ 10.7%
EBITDA	280.5	237.7	+ 18.0%
EBIT	210.6	169.2	+ 24.5%
EBT	198.4	157.5	+ 26.0%
EPS (in €)	0.69	0.55	+ 25.5%
Balance sheet (in € million)			
Balance sheet total	1,281.9	1,127.4	+ 13.7%
Equity	246.9	166.3	+ 48.5%
Equity ratio	19.3%	14.7%	
Cash flow (in € million)			
Operative cash flow	185.2	168.4	+ 10.0%
Net cash inflows from operating activities	196.9	184.9	+ 6.5%
Net cash outflows from investing activities	192.4	39.3	+ 389.6%
Free cash flow **	155.3	143.2	+ 8.4%
Employees at the end of September			
Total	6,845	6,110	+ 12.0%
of which “domestic”	5,184	4,767	+ 8.7%
of which “foreign”	1,661	1,343	+ 23.7%
Share (in €)			
Share price at end of September (Xetra)	28.00	15.87	+ 76.4%

	30.09.2013	31.12.2012***	Change
Access contracts, total (in million)	5.36	4.72	+ 0.64
of which Mobile Internet	1.86	1.41	+ 0.45
of which DSL complete (ULL)	3.09	2.79	+ 0.30
of which T-DSL / R-DSL	0.41	0.52	– 0.11
Business Applications, total contracts (in million)	5.72	5.20	+ 0.52
of which “domestic”	2.35	2.28	+ 0.07
of which “foreign”	3.37	2.92	+ 0.45
Consumer Applications, total accounts (in million)	33.47	33.68	– 0.21
of which with Premium Mail subscription	1.89	1.91	– 0.02
of which with Value-Added subscription	0.30	0.21	+ 0.09
of which with De-Mail address / identification	0.42 / 0.17	–	+ 0.42 / + 0.17

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

** 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

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

Content

Dear shareholders, employees and business associates of United Internet,

United Internet AG can look back on a successful first nine months to its fiscal year 2013. There were strong improvements in sales, the number of customer contracts and our key earnings ratios. At the same time, we once again invested heavily in the establishment and development of new business fields in order to tap sustainable growth potential for the future. In addition to this operating success, we also strengthened our market position with the acquisition of the Spanish competitor Arsys.

Specifically, we raised consolidated sales to € 1.955 billion in the first nine months of 2013 – representing year-on-year growth of 10.7%.

There was also a strong increase in our customer figures during the first nine months of 2013: with the addition of 1.23 million contracts (of which 900,000 organic and around 330,000 from the Arsys acquisition) to 13.27 million customer contracts, we surpassed the already strong growth of the first nine months of 2012 (860,000). Growth was particularly strong in our Access segment with the addition of 450,000 Mobile Internet contracts and 190,000 DSL contracts.

With further heavy investments in new business fields – albeit at a lower level thanks to rising customer figures – (EBITDA-effective start-up losses of € 87.0 million in the first nine months of 2013 compared to € 96.8 million in the previous year), we succeeded in significantly improving our earnings figures: earnings before interest, taxes, depreciation and amortization (EBITDA) rose by 18.0%, from € 237.7 million last year to € 280.5 million. Earnings before interest and taxes (EBIT) climbed 24.5%, from € 169.2 million in the previous year (comparable prior-year figure without Sedo impairment charges) to € 210.6 million. Earnings per share (EPS) improved by 25.5%, from € 0.55 to € 0.69.

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. Despite consistently high start-up losses in our new business fields and costs for expanding our existing customer base, this figure remained at a high level of € 155.3 million (prior year: € 143.2 million).

With the key figures in sales, customer contracts, and earnings already reached in the first nine months of 2013, we are well on course to meet our targets and can confirm our forecasts.

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

Montabaur, November 14, 2013

Ralph Dommermuth

Group management report for the first nine months of 2013

Economic environment

Macroeconomic development

In its "World Economic Outlook" of October 2013, the International Monetary Fund (IMF) downgraded its forecast for the **global economy** for the fourth time this year. The IMF lowered its former outlook for 2013 by 0.3 percentage points to 2.9%.

The main motivation for this renewed downgrade of the IMF's forecasts was persistently high unemployment in Europe, uncertainty about the effects of stricter US monetary policy, and the faltering development of the emerging economies in the first nine months of 2013. The IMF reduced its forecast for **Mexico**, for example, by 1.7 percentage points to 1.2%.

The IMF also expressed its concerns about the **US economy**. Although the recovery in consumer spending, real estate, and the finance sector provides a healthy basis for growth, the economy is being hit by drastic cuts to the state budget. The IMF therefore downgraded its forecast by 0.1 percentage point to 1.6% – and did the same for **Canada**.

In contrast to this trend, the IMF's economists upgraded their forecast slightly for the **Eurozone** – in which United Internet is active in all major economies. The decline in economic output in 2013 is now expected to be just 0.4%, compared to the previous 0.6%.

The forecast for United Internet's most important market, **Germany**, is a little more optimistic with an increase of 0.5% (previously 0.3%). This expectation mirrors that of the country's government, whose fall outlook predicted growth in real gross domestic product (GDP) of 0.5% for 2013.

According to calculations of the German Institute for Economic Research (projection of October 30, 2013), German GDP rose by 0.2% in the third quarter of 2013 – following 0.0% in the first quarter and 0.7% in the second quarter of 2013. Over the first nine months of 2013, Germany's economic recovery thus continued to gain pace – albeit at a slower rate in the third quarter.

GDP development in Germany compared to previous quarter

	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013
GDP	+0.7	–0.1	+0.2	–0.5	+0.0	+0.7	+0.2

Source: German Institute for Economic Research (DIW); status: October 30, 2013

Sector development

At its press conference on October 22, 2013, the German high-tech sector association BITKOM downgraded its former growth forecast (spring 2013) for the German Information and Communication Technology (ICT) market from 1.4% to 0.1%. Total revenues of € 152 billion are now expected. This assessment is based on current forecasts of the European Information Technology Observatory (EITO).

According to BITKOM, some segments have grown much faster than the general economy so far this year, while other segments were suffering from falling revenues for a variety of reasons.

Against this backdrop, BITKOM also adjusted its forecasts for the individual segments:

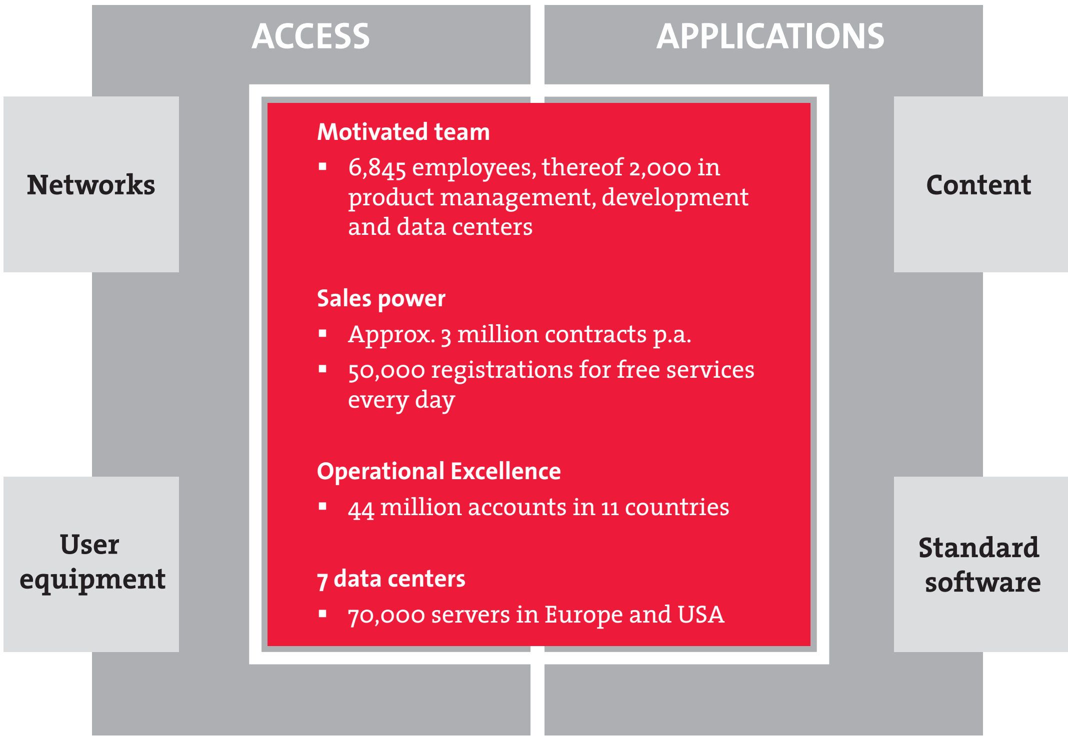
For the segment Information Technology, BITKOM currently predicts growth of 2.0% to € 74.7 billion – compared to its former forecast of +2.2%. The main reason for this downgrade was poorer than expected sales of "IT hardware". The boom in sales of tablet computers was unable to fully compensate for the strong decline in sales of desktop PCs and laptops. The sub-segment "Software" has performed much better so far and is now likely to grow faster than expected at 4.9%.

In the Telecommunications segment, BITKOM now expects revenues to remain unchanged this year at 66 billion – compared to a former growth forecast of 1.3%. Whereas sales in the sub-segments "TC Infrastructure" (expected growth of 2.9% mainly due to investment in modern broadband networks) and "End-User Devices" (expected growth of 7.9% mainly due to the ongoing boom in smartphone sales) remain strong, "Telecommunications Services" are falling behind. As in the past, progress in the TC Services market – which is expected to decline in total by 1.7% in 2013 – varies strongly: whereas business with mobile data services is likely to grow by more than 5%, revenue from mobile conversations will probably fall by around 9%. Revenue generated by fixed-line voice services is expected to decline by 7%. According to BITKOM, this is not only due to fierce price competition, but also to the state regulatory authorities who have been forcing down domestic call charges and roaming fees for calls abroad.

Legal conditions

In the first nine months of 2013, the legal parameters for United Internet's business activities remained largely unchanged from fiscal year 2012 and thus had no significant influence on the development of the United Internet Group.

UNITED INTERNET – „INTERNET FACTORY“



Business development of the Group

Overview of United Internet

Founded in 1988 and headquartered in Montabaur, Germany, United Internet AG is Europe's leading internet specialist with 13.27 million fee-based customer contracts and 31.28 million ad-financed free accounts around the world.

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

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

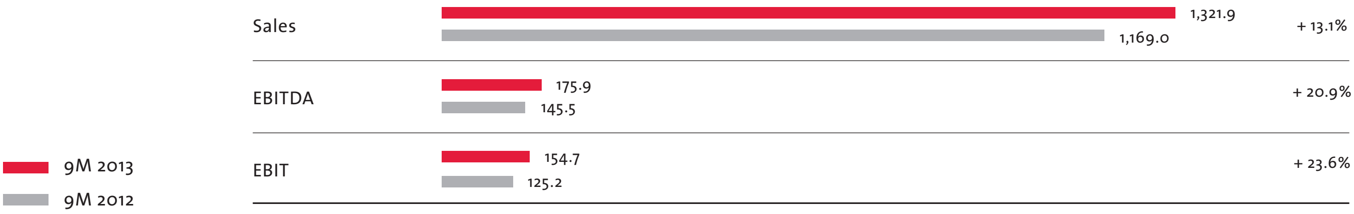
The **Applications segment** comprises United Internet's application business – whether ad-financed or via fee-based subscriptions. These applications include domains, home pages, webhosting, servers and e-shops, Personal Information Management applications (e-mail, to-do lists, appointments, addresses), group work, online storage and office software. The applications are developed by the company's "Internet Factory" or in cooperation with partner firms and operated at the company's seven data centers. In its Applications segment, United Internet is also a leading 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, united-domains, Fasthosts and InterNetX. United Internet also offers its customers performance-based advertising and sales platforms on the internet via Sedo and affilinet.

Development of Access segment

As a result of dynamic customer growth, **sales** of the Access segment in the first nine months of 2013 rose by 13.1% to € 1,321.9 million. Despite significantly stronger customer growth than last year (640,000 vs. 460,000 contracts), there was also a further sharp rise in earnings. **EBITDA** increased by 20.9%, from € 145.5 million in the previous year to € 175.9 million, while **EBIT** was up 23.6%, from € 125.2 million to € 154.7 million.

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

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



Quarterly development € million

	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q3 2012	Change
Sales	417.1	421.7	441.5	458.7	405.0	+ 13.3%
EBITDA	46.3	54.8	54.0	67.1	57.1	+ 17.5%
EBIT	39.1	47.2	47.3	60.2	50.2	+ 19.9%

The number of fee-based **Access contracts** rose by 640,000 to 5.36 million contracts in the first nine months of 2013. Of this figure, the segment added 450,000 new customer contracts in its Mobile Internet business and thus raised the number of customers to 1.86 million. There was also growth in the important complete DSL contract business (ULL) with the addition of 300,000 customer contracts to reach a total of 3.09 million. As expected, however, the number of customer contracts for those business models being phased out (T-DSL and R-DSL) continued to fall in the first nine months of 2013 (-110,000 customer relationships). All in all, the total number of DSL contracts grew by 190,000 contracts to 3.50 million.

Development of Access contracts in the first 9 months of 2013	30.09.2013	31.12.2012*	Change
Access, total contracts	5.36 million	4.72 million	+ 640,000
of which Mobile Internet	1.86 million	1.41 million	+ 450,000
of which DSL complete (ULL)	3.09 million	2.79 million	+ 300,000
of which T-DSL / R-DSL	0.41 million	0.52 million	– 110,000

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

Development of Access contracts in the third quarter of 2013	30.09.2013	30.06.2013	Change
Access, total contracts	5.36 million	5.17 million	+ 190,000
of which Mobile Internet	1.86 million	1.74 million	+ 120,000
of which DSL complete (ULL)	3.09 million	2.99 million	+ 100,000
of which T-DSL / R-DSL	0.41 million	0.44 million	– 30,000

Product highlights in the first nine months of 2013

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

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

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

Outlook
In view of its product strategy based on transparency and flexibility, with innovative products offering excellent value for money, United Internet believes it is well positioned in this market. Contract growth in this segment is expected to result from the marketing of complete DSL packages, new DSL connections and Mobile Internet products.

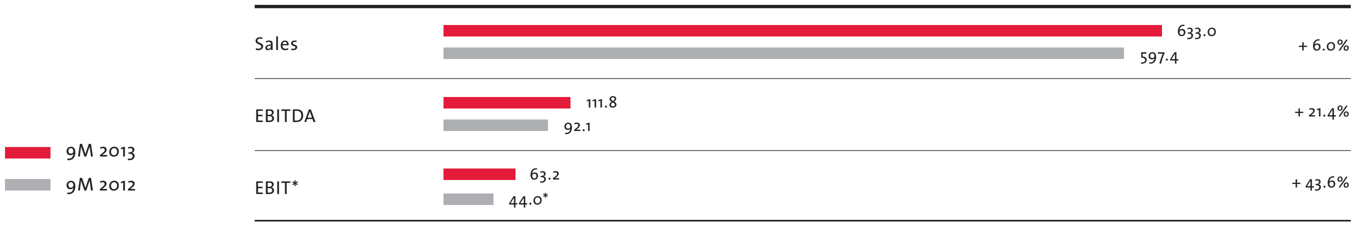
Development of Applications segment

In the first nine months of 2013, **sales** of the Applications segment rose by 6.0% to € 633.0 million. The main reason for this more moderate growth rate was the year-on-year revenue decline of approx. € 6.4 million in the first quarter of 2013 from the marketing of United Internet's portals. Revenue from this business has been up again since the second quarter, helping the Applications segment achieve year-on-year growth of 6.9% in the second quarter and 7.7% in the third quarter. Sales abroad were raised by 9.1%, from € 196.4 million in the first nine months of last year to € 214.3 million.

There was far stronger growth in the segment's key earnings figures. With further heavy investments in new business fields – albeit at a lower level thanks to rising customer figures – (EBITDA-effective **start-up losses** of € 87.0 million in the first nine months of 2013 compared to € 96.8 million in the previous year), **EBITDA** was increased by 21.4%, from € 92.1 million last year to € 111.8 million. **EBIT** improved by 43.6%, from € 44.0 million in the previous year (comparable prior-year figure without Sedo impairment charges of € 46.3 million) to € 63.2 million.

In September 2013, the wholly acquired company Arsys Internet S.L. was included in the segment's financial and customer figures. Further details are provided on page 15 "Takeovers and Investments" as well as in the explanations to the consolidated financial statements on page 38 "Business Combinations and Investments".

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



Quarterly development in € million

	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q3 2012	Change
Sales	212.8	207.9	211.7	213.4	198.1	+ 7.7%
EBITDA	40.0	38.5	32.3	41.0	33.5	+ 22.4%
EBIT	22.6	23.1	16.4	23.7	16.8	+ 41.1%

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

The number of fee-based **Business Applications contracts** rose worldwide by 520,000 to 5.72 million (of which +110,000 1&1 MyWebsite contracts to a total of 510,000) in the first nine months of 2013. Of this total, there was an increase in domestic contracts of 70,000 to 2.35 million, while contracts abroad rose by 450,000 to 3.37 million. This strong growth abroad results in part from the takeover of the Spanish competitor Arsys, which contributed around 330,000 contracts to the total number of customer contracts. The international expansion of the segment's Business Application business was also continued with a roll-out in Mexico.

Development of Business Applications contracts in the first 9 months of 2013	30.09.2013	31.12.2012*	Change
Business Applications, total contracts	5.72 million	5.20 million	+ 520,000
of which "domestic"	2.35 million	2.28 million	+ 70,000
of which "foreign"	3.37 million	2.92 million	+ 450,000

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

Development of Business Applications contracts in the third quarter of 2013	30.09.2013	30.06.2013	Change
Business Applications, total contracts	5.72 million	5.38 million	+ 340,000
of which "domestic"	2.35 million	2.33 million	+ 20,000
of which "foreign"	3.37 million	3.05 million	+ 320,000

At the beginning of the third quarter of 2013, United Internet shifted its advertising budget for Business Applications away from the international TV marketing of the 1&1 MyWebsite product and toward a widespread ad campaign for the new top-level domains (nTLDs). The company's declared aim is to generate around 5 million non-binding pre-registrations for the **nTLDs** by the end of the year. With around 3.4 million pre-registrations as of September 30, 2013, United Internet is well on the way to achieving this target. The generated pre-registrations will gradually translate into fee-based customer contracts on availability of the respective domain endings and thus represent an investment in future growth. On November 6, 2013, United Internet signed a first registry agreement with the US domain registry Donuts Inc. and began accepting binding pre-orders for the first four domain endings on November 8. As the largest registry for new top-level domains, Donuts Inc. plans to offer more than 150 new domain endings.

The number of **Consumer Accounts** fell by 210,000 to 33.47 million in the first nine months of 2013, due in particular to the usual seasonal fluctuations in the number of active free accounts. Fee-based accounts with Premium Mail subscriptions declined by 20,000 to 1.89 million. This was brought about by a slight fall in the appeal of these products due to the expanded scope of services provided by free accounts which has since been introduced. By contrast, fee-based accounts with Value Added subscriptions rose by 90,000 to 300,000. Following the accreditation received on March 5, 2013, a total 420,000 De-Mail usage contracts were completed as of September 30, 2013 – of which 170,000 users could be fully identified and activated. In contrast to accounts with Premium Mail subscriptions and Value-Added subscriptions, the aforementioned De-Mail usage contracts are not fee-based contracts as defined by United Internet's contract policy, as these contracts are not linked to a monthly basic fee but invoiced purely according to usage.

Development of Consumer Applications contracts in the first 9 months of 2013	30.09.2013	31.12.2012*	Change
Consumer Applications, total accounts	33.47 million	33.68 million	– 210,000
of which with Premium Mail subscription	1.89 million	1.91 million	– 20,000
of which with Value-Added subscription	0.30 million	0.21 million	+ 90,000
of which with De-Mail address / identification	0.42 / 0.17 million	–	+ 420,000 / + 170,000

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

Development of Consumer Applications contracts in the third quarter of 2013	30.09.2013	30.06.2013	Change
Consumer Applications, total accounts	33.47 million	33.18 million	+ 290,000
of which with Premium Mail subscription	1.89 million	1.89 million	+/– 0
of which with Value-Added subscription	0.30 million	0.26 million	+ 40,000
of which with De-Mail address / identification	0.42 / 0.17 million	0.28 / 0.10 million	+ 140,000 / + 70,000

Product highlights in the first nine months of 2013

In the period under review, activities in the field of Consumer Applications focused on the roll-out of new GMX mailboxes and the De-Mail accreditation of WEB.DE and GMX. Business Application activities centered on expanding the features of the 1&1 MyWebsite product, the roll-out of Microsoft Exchange 2013, the start of pre-registration for the new top-level domains, as well as the launch of a new 1&1 shared hosting product line.

- **16 million new mailboxes with cloud storage for GMX:** In the first quarter of 2013, 16 million active mailboxes in Germany, Austria and Switzerland received a greatly enhanced user interface with improved ease-of-use. A whole host of new features and two gigabytes of cloud storage were conveniently integrated.
- **WEB.DE and GMX accredited for De-Mail:** WEB.DE and GMX were able to announce the receipt of their De-Mail accreditation at the CeBIT 2013 trade show. This represents the most important milestone so far for this project. The De-Mail launch of WEB.DE and GMX has also been accompanied by an extensive TV campaign since March 6.
- **1&1 MyWebsite with new, additional features:** In March 2013, 1&1 integrated a series of new tools into its 1&1 MyWebsite product which help companies and freelancers optimize both the appearance and performance of their websites. The new "Multimedia Show", for example, enables users to easily design audio-visual material for a more compelling customer experience, while the new "Interactive Brochure" makes it easy to produce online brochures, and the "Online Survey Tool" offers an easy way of collecting customer feedback.

- **1&1 offers new package for Microsoft Exchange 2013:** In April 2013, 1&1 launched its new professional mail solution „Microsoft Exchange 2013“. The product mainly targets small and mid-size companies. The Exchange mailbox with a storage capacity of 25 gigabytes and the latest Outlook version 2013 gives customers the possibility to access the mailbox via any internet-capable user device. Real-time synchronization with the user's desktop PC also enables mobile access via notebooks, smartphones or tablet PCs. In addition, customers benefit from high security standards for protection against spam and viruses.
- **1&1 offers pre-registration for new top-level domains (nTLDs):** As of July 2013, 1&1 offers home users and businesses the possibility to make a non-binding registration for the latest generation of internet addresses. The new, so-called nTLDs offer small to mid-sized businesses in particular, but also clubs and groups, over 700 attractive endings, such as .berlin, .restaurant, .shop, .gmbh, .music or .auto. Whereas address endings were originally linked mostly to specific nations, topics such as places and industries will play a major role for the generation of future addresses. The new top-level domains will greatly expand the previously restricted possibilities for name generation and thus increase the number of options for individualized addresses. Business owners in particular will benefit from the extra customer interest created by their new addresses, enabling them to greatly strengthen their digital brand identification.
- **1&1 launches new shared hosting product line:** In October 2013, 1&1 unveiled a new hosting product line offering maximum performance and flexibility for the hosting of websites. Available for Linux and Windows, the new products provide professional developer tools, a user-friendly WebApp Center, possibilities to control optimum performance and an experienced team of experts offering support for these top web apps. The launch was accompanied by the presentation of the new 1&1 Principles for Hosting and eBusiness, which give binding guarantees for customer support, flexible contracts and operational security for their hosting packages.

Outlook

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 well positioned to utilize the opportunities offered by cloud computing. In 2013, the company is focusing in particular on further expansion in its foreign markets with Business Applications products. Key areas are the marketing of new 1&1 hosting products and the pre-registration for new top-level domains (nTLDs). Over 700 new domain endings are to be gradually rolled out over the coming months. With the aid of an extensive international advertising campaign, our brands 1&1 and united-domains aim to gain millions of non-binding pre-registrations. In the case of Consumer Applications, the main focus is on legally secure e-mail communication. Key areas include the marketing of De-Mail accounts and the joint initiative with Deutsche Telekom ("E-Mail made in Germany") launched in August 2013.

Takeovers and investments

In early July 2013, United Internet acquired 28.36% of shares – via United Internet Ventures AG – in the e-mail and collaboration specialist Open-Xchange AG. With its "OX App Suite", Open-Xchange offers an extensive, browser-based software solution for the processing and administration of emails, contacts, and appointments, which can be supplemented in real time to include information from social networks such as Facebook, LinkedIn, XING and Twitter. Open-Xchange also allows images, as well as audio, video and office files to be centrally stored, administered and worked on by teams. A cloud-based office solution is also currently being developed with "OX Documents". Open-Xchange AG has grown both revenue and user numbers by 50% over the past three years. Open-Xchange's software is currently deployed with more than 80 million users, and is provided to them as software-as-a-service (SaaS) by more than 80 hosting and telecommunications providers worldwide (including 1&1). The acquisition costs for the Open-Xchange shares amounted to around € 15.0 million.

On August 19, 2013, United Internet agreed a deal with the owners of the Spanish company Arsys Internet S.L., the private equity companies The Carlyle Group and Mercapital, as well as further original shareholders, concerning the acquisition of a 100% stake in Arsys by 1&1 Internet AG. Arsys employs around 300 people and is one of the leading players on Spain's webhosting and cloud computing market with some 300,000 customer contracts, annual sales of around € 40 million and EBITDA of about € 15 million. The company's products are served from the company's own two data centers in Spain. Arsys will continue to be run by the current management team as an independent company. In future, United Internet will therefore develop the Spanish market with both the 1&1 and Arsys brands. In the course of the acquisition, an amount of € 139.3 million was settled in cash. Arsys was first consolidated (in the Applications segment) in the consolidated financial statements of United Internet AG in September 2013. Further details are provided in the explanations to the consolidated financial statements on page 38 "Business Combinations and Investments".

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

Consolidated earnings position

United Internet AG can look back on a successful first nine months of 2013. Consolidated **sales** grew by 10.7% in the reporting period, from € 1,766.6 million in the previous year to € 1,955.1 million. Sales of the Access segment rose by 13.1%, from € 1,169.0 million to € 1,321.9 million, while in the Applications segment sales increased by 6.0%, from € 597.4 million to € 633.0 million. **Foreign sales** (exclusively in the Applications segment) were increased by 9.1%, from € 196.4 million to € 214.3 million.

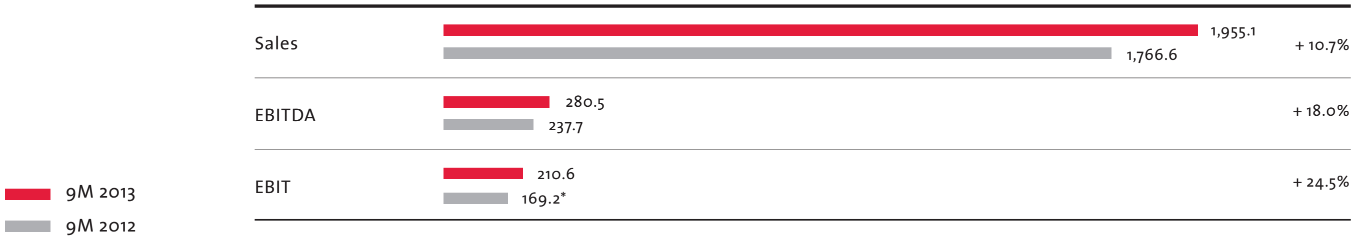
Gross margin was largely unchanged from last year at 33.9% in the first nine months of 2013 (prior year: 34.0%). As a result of increased sales, **gross profit** improved by 10.4% from € 600.0 million in the previous year to € 662.4 million.

Sales and marketing expenses grew more slowly than sales, from € 340.5 million (19.3% of sales) last year to € 351.6 million (18.0% of sales). **Administrative expenses** increased in line with sales from € 79.7 million last year to € 87.2 million in the reporting period (4.5% of sales in both years).

With further heavy investments in new business fields – albeit at a lower level thanks to rising customer figures – (EBITDA-effective **start-up losses** of € 87.0 million in the first nine months of 2013 compared to € 96.8 million in the previous year), earnings improved strongly: **EBITDA** rose by 18.0%, from € 237.7 million last year to € 280.5 million, while **EBIT** climbed 24.5%, from € 169.2 million in the previous year (comparable prior-year figure without Sedo impairment charges) to € 210.6 million.

Earnings before taxes (**EBT**) improved by 26.0%, from € 157.5 million (comparable prior-year figure) to € 198.4 million. Earnings per share (**EPS**) improved by 25.5%, from € 0.55 (comparable prior-year figure) to € 0.69.

Key sales and earnings figures of the Group in € million



Quarterly development in € million

	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q3 2012	Change
Sales	630.0	629.7	653.3	672.1	603.1	+ 11.4%
EBITDA	88.2**	91.3	83.8	105.4	89.1	+ 18.3%
EBIT	63.5**	68.3	61.1	81.2	65.4	+ 24.2%

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

** Without positive special items (sale of freenet shares): EBITDA and EBIT effect: € 17.9 million

Historical development of key sales and earnings figures in € million*

	9M 2010	9M 2011	9M 2012	9M 2013
Sales	1,409.0	1,537.1	1,766.6	1,955.1
EBITDA-effective start-up losses (new business fields)		16.3	96.8	87.0
EBITDA	270.8	261.1	237.7	280.5
EBIT	210.6	198.8	169.2	210.6

* Without special items:
2011: sale of Versatel shares: EBITDA and EBIT effect: € +24.8 million
2012: Sedo impairment charges: EBIT effect: € -46.3 million

Cash flow, investment and finance

Operative cash flow rose from € 168.4 million in the previous year to € 185.2 million in the first nine months of 2013.

Despite the increase in business (sales growth of 10.7%), **net cash inflows from operating activities** also increased from € 184.9 million to € 196.9 million.

Net cash outflows from investing activities amounted to € 192.4 million in the reporting period (prior year: € 39.3 million). This resulted mainly from disbursements of € 43.5 million (prior year: € 44.9 million) for capital expenditures, as well as from 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 € 155.3 million – compared to € 143.2 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 2013 was dominated by an outflow for the dividend payment of € 58.0 million (prior year: € 58.1 million), the purchase of treasury shares amounting to € 27.7 million (prior year: € 0), and the assumption of loans totaling € 94.1 million (prior year: redemption of loans totaling € 105.7 million).

Historical development of key cash flow figures in € million

	9M 2010	9M 2011	9M 2012	9M 2013
Operative cash flow	208.5	189.4	168.4	185.2
Cash flow from operating activities	239.2	165.1	184.9	196.9
Cash flow from investing activities	–53.8	–15.8	–39.3	–192.4
Free cash flow*	189.5	135.0	143.2	155.3
Cash flow from financing activities	–231.7	–162.5	–165.6	6.8

* 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

Assets and equity

The **balance sheet total** rose from € 1.108 billion as of December 31, 2012 to € 1.282 billion as of September 30, 2013.

Non-current assets increased from € 821.3 million as of December 31, 2012 to € 987.3 million as of September 30, 2013. Within this item, additions to property, plant and equipment and intangible assets of € 43.5 million (for furniture and fixtures, as well as software) were opposed by depreciation and amortization of € 70.0 million. Due to the acquisition of Arsys, goodwill increased from € 356.2 million as of December 31, 2012 to € 466.8 million as of September 30, 2013. In the same period, shares in associated companies rose from € 90.9 million to € 106.9 million, due in particular to the investment in Open-Xchange.

Current assets increased from € 286.5 million as of December 31, 2012 to € 294.6 million as of September 30, 2013. Cash and cash equivalents disclosed under current assets rose from € 42.8 million to € 54.0 million in the reporting period. Trade accounts receivable decreased from € 148.8 million to € 128.7 million, partly because of closing-date effects. As a result of ongoing Mobile Internet campaigns with new smartphones, inventories were increased from € 25.7 million to € 38.2 million.

In the first nine months of 2013, bank liabilities rose from € 300.3 million to € 394.4 million. Due in particular to share buybacks (€ 27.7 million), the dividend payment (€ 58.0 million), the Arsys acquisition (€ 131.4 million) and investments (€ 20.9 million), **net bank liabilities** (bank liabilities netted with cash and cash equivalents) rose over the same period from € 257.5 million to € 340.4 million.

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

The Group's **equity ratio** rose from 17.9% as of December 31, 2012 to 19.3% as of September 30, 2013.

Key balance sheet figures of the Group in € million	30.09.2013	31.12 2012
Total assets	1,281.9	1,107.7
Cash and cash equivalents	54.0	42.8
Shares in associated companies	106.9	90.9
Property, plant and equipment	112.8	109.2
Intangible assets	163.5	151.8
Goodwill	466.8	356.3
Liabilities due to banks	394.4	300.3
Capital stock	194.0	215.0
Treasury stock	10.3	263.6
Equity	246.9	198.1
Equity ratio	19.3%	17.9%

Historical development of key balance sheet figures in € million

	30.09.2010	30.09.2011	30.09.2012	30.09.2013
Total assets	1,230.5	1,214.7	1,127.5	1,281.9
Cash and cash equivalents	71.9	82.7	45.5	54.0
Shares in associated companies	100.2	30.4	23.1	106.9
Property, plant and equipment	109.3	101.2	111.1	112.8
Intangible assets	224.5	195.2	162.1	163.5
Goodwill	403.8	401.7	359.4	466.8
Liabilities due to banks	369.3	525.8	418.9	394.4
Capital stock	240.0	215.0	215.0	194.0
Treasury stock	234.4	209.9	268.1	10.3
Equity	360.2	200.5	166.2	246.9
Equity ratio	29.3%	16.5%	14.7%	19.3%

Cancellation of treasury shares / share buybacks

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

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

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

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

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

Share price and dividend

With growth of 71.7% to € 28.00 as of September 30, 2013 (December 31, 2012: € 16.31), United Internet’s share price easily outperformed the DAX (+12.9%) and TecDAX (+30.8%) indices in the first nine months of 2013. Compared to the closing price at the end of the first nine months of 2012 (€ 15.87), the share grew by 76.4%.

In the current year, United Internet AG continued to pursue its shareholder-friendly dividend policy based on continuity. The Annual Shareholders' Meeting of United Internet AG on May 23, 2013 voted to accept the proposal of the Management Board and Supervisory Board to pay a dividend of € 0.30 per share for fiscal year 2012. The dividend per share was thus unchanged from last year. The total dividend payment of € 58.0 million (prior year: € 58.1 million) was made on May 24, 2013. At 53.6%, the dividend ratio based on consolidated earnings after tax (the consolidated result in 2012 was burdened by goodwill writedowns for subsidiary Sedo Holding AG of € 46.3 million) was well above the prior-year figure of 35.8%. Without consideration of the aforementioned, non-cash special item, the dividend ratio was 37.5%. Due to the strong increase in the United Internet share price, the dividend yield fell to 1.1% (prior year: 1.9%).

Dividend development

	2010	2011	2012
Dividend (in €)	0.20	0.30	0.30
Total dividend payment (in € million)	42.0	58.1	58.0
Dividend ratio	32.4%	35.8%	53.6%
Dividend yield*	1.6%	1.9%	1.1%

* Status: September 30

Personnel change in the Management Board

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

Employees

At the end of September 2013, United Internet employed a total of 6,845 people (December 31, 2012: 6,254), of which 1,661 were employed outside Germany (December 31, 2012: 1,350). In the first nine months of 2013, total headcount therefore rose by 591 employees or 9.4%. Part of this growth in headcount (303 employees) resulted from the takeover of Arsys.

Divided by segment, there were 2,113 employees in the Access segment, 4,699 in the Applications segment and 33 at the Group's headquarters.

Personnel expenses rose by 12.8%, from € 202.6 million in the first nine months of 2012 to € 228.6 million.

Headcount development by segment

	31.12.2012	30.09.2013	30.09.2012
Access segment	1,928	2,113	1,905
Applications segment	4,292	4,699	4,174
Headquarters	34	33	31
Total Group	6,254	6,845	6,110

Headcount development by region

	31.12.2012	30.09.2013	30.09.2012
Germany	4,904	5,184	4,767
Abroad	1,350	1,661	1,343
Worldwide	6,254	6,845	6,110

Management Board's overall statement on the current business situation

The macroeconomic conditions in the target countries of the United Internet Group varied strongly during the reporting period. Whereas forecasts for the North American target countries Canada, Mexico and the USA were downgraded due to their worse-than-expected development in the first nine months, the eurozone and Germany appear to be on course for recovery – despite the ongoing risks.

The German ICT market has performed worse than originally expected in the year so far. Against this backdrop, the sector association BITKOM downgraded its growth forecast from 1.4% to 0.1%. As the association noted, the various sub-segments differed in their development.

Despite weaker overall demand in all target countries, and a generally poorer than expected sector trend, United Internet AG enjoyed further dynamic growth in the first nine months of 2013 with the addition of 1.23 million customer contracts (of which 0.9 million organic) to 13.27 million, revenue growth of 10.7% to € 1.955 billion and an improvement in EBITDA of 18.0% to € 280.5 million. At the same time, the company once again invested heavily in the establishment and development of new business fields (EBITDA-effective start-up losses of € 87.0 million) in order to tap sustainable future growth potential. With the milestones in customer contracts, sales and earnings reached in the first nine months of 2013, United Internet is well on course to meet its targets and can confirm its full-year guidance.

This development against the current macroeconomic and sector-specific trend highlights the benefits of United Internet's business model based predominantly on electronic subscriptions (13.27 million customer contracts as of September 30, 2013) 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 new business fields and new markets – organically or via acquisitions. Even in recession-hit Spain, for example, United Internet achieved further organic growth in customer contracts in the first nine months of 2013 as well as additional growth from the acquisition of its Spanish competitor Arsys.

Research and development

United Internet's 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 its ability to develop, combine or adapt innovative products and services and launch them on major markets.

In the first nine months of 2013, around 2,000 developers, product managers and technical administrators at United Internet's domestic and foreign development centers focused in particular on the following projects:

- Relaunch of GMX
- International roll-out of the 1&1 Principle
- Integration of 1&1 Social Media Manager (for Facebook or Twitter) into the 1&1 MyWebsite product
- Pre-registration process for the new top-level domains
- De-Mail solutions for business clients
- Further development of the 1&1 hosting product portfolio

Risk and opportunity report

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

In the first nine months of 2013, the overall risk and opportunity situation remained mostly stable compared with the risk and opportunity report provided in the annual financial statements 2012. From the point of view of management, there were no recognizable risks as of the reporting date which – individually or collectively – might jeopardize the continued existence of the company.

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

Subsequent events

On October 2, 2013, United Internet announced that it had acquired (via United Internet Ventures AG) the 4,461,379 shares in Sedo Holding AG, Cologne, held by Sedo's founders at a price of € 2.60 per share. United Internet Ventures thus raised its stake in Sedo Holding AG to 96.05% and was able to initiate a **squeeze-out process pursuant to Secs. 327a ff. AktG for Sedo Holding AG**. The members of United Internet's executive bodies Mr. Dommermuth, Mr. Lang and Mr. Scheeren had previously contractually sold their 452,414 shares to United Internet Ventures. The purchase price for these shares will correspond to the cash settlement officially set for all remaining shareholders as examined by a settlement auditor. The price amounts to no more than € 2.60 per share. This also corresponds to the price at which the founders sold their shares to United Internet. 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 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 (e.g. for shareholder meetings, annual reports, mandatory disclosures etc.).

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

Forecast report

Economic prospects

Due in particular to persistently high unemployment in Europe, uncertainty about the effects of stricter US monetary policy, and the faltering development of the emerging economies, the IMF downgraded its forecast for the **global economy** (compared to its July forecast) once again in its latest "World Economic Outlook" of October 2013. The IMF currently expects global growth of 2.9% (previously: 3.1%) for 2013 and 3.6% (previously: 3.8%) for 2014.

In the **eurozone**, the IMF has upgraded its forecasts and now expects a recession of "just" -0.4% (previously -0.6%) for 2013. The region is expected to return to growth of 1.0% (previously: 0.9%) in 2014.

The forecast for **Germany** is also a little better with an increase of 0.5% (previously: 0.3%). Growth in 2014 is likely to reach 1.4% (previously: 1.3%).

Market / sector expectations

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

BITKOM expects the ICT market in the **EU** to grow by 0.9% in 2013 (March Outlook 2013).

In its October Outlook, BITKOM revised its 2013 forecasts for the overall market for IT, telecommunications and digital entertainment electronics (ICT) in **Germany** and published its first forecasts for 2014.

According to the report, the German ICT market will grow by just 0.1% (previously: 1.4%) to € 152 billion in 2013. For 2014, BITKOM expects growth of 1.6% to € 154.4 billion.

BITKOM currently anticipates growth of 2.0% to € 74.7 billion for the Information Technology segment – compared to its previous forecast of 2.2%. Growth in 2014 is likely to reach 2.8% with sales of € 76.8 billion.

In the Telecommunications segment, BITKOM now believes that revenues will remain unchanged at € 66 billion – compared to its former forecast of +1.3%. BITKOM is more upbeat about prospects in 2014 and expects growth of 0.5% to € 66.3 billion.

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

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

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

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

Source: PricewaterhouseCoopers

Dynamic growth in German mobile internet market

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

Market forecast: mobile internet access in Germany

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

Source: BITKOM

Megatrend cloud computing

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

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

	2013e	2012	Change
Sales worldwide (total in $ billion)	129.9	109.3	+ 18.8%
Sales in Germany (only B2B in € billion)	4.6	3.0	+ 53.3%

Source: Gartner, BITKOM / Experton Group

Further growth in German online advertising market

Online advertising activities continued to be dominated by a strong willingness to invest in 2012. As a result, the internet was able to expand its position as the second most important medium in the media mix by 2.2 percentage points to 21.8%. The Online Marketing Group (Online-Vermarkterkreis – OVK) forecasts a further positive development for the online advertising market in 2013 with growth in gross advertising spend of up to 11% to € 7.18 billion.

Market forecast: online advertising in Germany

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

Soiurce: BVDW / OVK

Management Board's overall statement on the anticipated development of the Group

Despite the fact that the macroeconomic and sector trends in all target markets are generally weaker than expected at the beginning of the year, United Internet is upbeat about its prospects for the final quarter of 2013 and the future beyond.

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

In the Access segment, the current focus is on the marketing of complete DSL packages and Mobile Internet products. In the Applications segment, we are currently focusing on developing foreign markets with our Business Applications. The key areas are the marketing of new 1&1 hosting products and the pre-registration of new top-level domains (nTLDs). In the case of Consumer Applications, top priority is currently being given to secure e-mail communication. The main focus here is the marketing of De-Mail accounts and the initiative launched in August 2013 together with Deutsche Telekom ("E-Mail made in Germany").

In addition to organic growth, United Internet continuously examines the possibility of company acquisitions and investments (especially in its Cloud Application business).

Thanks to its strong cash flow and existing credit lines, United Internet has the necessary funding in place to finance its future growth.

After a successful first nine months of 2013, United Internet is in line with its targets and can confirm its full-year guidance for 2013. The company continues to expect sales growth of around 10%. Despite raising its forecast for customer figures to around 1.1 million contracts (+100,000) in August 2013, with the resulting increase in marketing and selling expenses, the company still expects to achieve an EBITDA result of around € 400 million (approx. € 500 million from established business fields, of which 20% is to be used to finance the planned start-up losses in new business fields). Earnings per share are expected to be between € 1.00 and € 1.10.

Forward-looking statements and forecasts

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

Financial Statements

Balance Sheet

as of September 30, 2013 in €k

	September 30, 2013	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	53,985	42,828
Trade accounts receivable	128,666	148,766
Inventories	38,248	25,678
Prepaid expenses	59,745	45,177
Other financial assets	12,527	19,531
Other non-financial assets	1,433	4,473
	294,604	286,453
Non-current assets		
Shares in associated companies	106,923	90,881
Other financial assets	68,685	70,133
Property, plant and equipment	112,817	109,187
Intangible assets	163,519	151,827
Goodwill	466,840	356,248
Prepaid expenses	4,424	0
Deferred tax asset	64,055	42,979
	987,263	821,255
Total assets	**1,281,867**	**1,107,708**

	September 30, 2013	December 31, 2012
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Trade accounts payable	211,305	268,668
Liabilities due to banks	7,517	87,113
Advance payments received	12,017	10,943
Accrued taxes	79,253	49,312
Deferred revenue	188,242	166,030
Other accrued liabilities	1,686	2,145
Other financial liabilities	76,314	51,464
Other non-financial liabilities	29,737	29,944
	606,071	665,619
Non-current liabilities		
Liabilities due to banks	386,871	213,163
Deferred tax liabilities	20,449	7,569
Other financial liabilities	21,552	23,214
	428,872	243,946
Total liabilities	**1,034,943**	**909,565**
Equity		
Capital stock	194,000	215,000
Additional paid-in capital	27,515	25,468
Accumulated profit	41,881	227,012
Treasury stock	–10,251	–263,570
Revaluation reserves	9,292	9,621
Cash flow hedge reserve	–5,657	–7,942
Currency translation adjustment	–20,118	–17,301
Equity attributable to shareholders of the parent company	**236,662**	**188,288**
Non-controlling interests	10,262	9,855
Total equity	**246,924**	**198,143**
Total liabilities and equity	**1,281,867**	**1,107,708**

Income Statement

from January 1 to September 30, 2013 in €k

	2013 January – September	2012 January – September
Sales	1,955,124	1,766,587
Cost of sales	-1,292,743	-1,166,544
Gross profit	**662,381**	**600,043**
Selling expenses	-351,592	-340,516
General administrative expenses	-87,150	-79,689
Other operating income / expenses	-2,614	158
Amortization of intangible assets resulting from company acquisitions	-10,464	-10,851
Amortization of goodwill	0	-46,268
Operating result	**210,561**	**122,877**
Financial result	-7,631	-6,647
Results from associated companies	-4,544	-4,990
Pre-tax result	**198,386**	**111,240**
Income taxes	-64,763	-51,226
Net income	**133,623**	**60,014**
Attributable to		
- non-controlling interests	401	262
- shareholders of United Internet AG	133,222	59,752

	2013 January – September	2012 January – September
Result per share of shareholders of United Internet AG (in €)		
- basic	0.69	0.31
- diluted	0.68	0.31
Weighted average shares (in million units)		
- basic	193.72	193.85
- diluted	195.37	195.45
Statement of comprehensive income		
Net income	133,623	60,014
Results directly included in equity		
- currency translation adjustment	−2,817	3,841
- Market value changes of available-for-sale financial instruments after taxes	−329	7,691
- Change in cash flow hedge reserve after taxes	2,285	−3,567
- Change in associated companies after taxes not affecting net income	0	−73
	−861	7,892
Total net income	**132,762**	**67,906**
Attributable to		
- non-controlling interests	401	241
- shareholders of United Internet AG	132,361	67,665

Cash Flow Statement

from January 1 to September 30, 2013 in €k

	2013 January – September	2012 January – September
Cash flow from operating activities		
Net income	133,623	60,014
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of intangible assets and property, plant and equipment	59,486	57,744
Amortization of intangible assets resulting from company acquisitions	10,464	10,851
Amortization of goodwill	0	46,268
Compensation expenses from employee stock option plans	2,047	1,932
Results of at-equity companies	4,544	4,990
Distributed profit of associated companies	110	0
Income from deconsolidation of associated companies	0	–4,105
Change in deferred taxes	–21,061	–8,550
Non-cash expenses / income	–4,008	–764
Operative cash flow	**185,205**	**168,380**
Change in assets and liabilities		
Change in receivables and other assets	39,565	1,242
Change in inventories	–12,571	–8,563
Change in deferred expenses	–18,992	–6,290
Change in trade accounts payable	–60,932	–37,353
Change in advance payments received	–11,756	1,294
Change in other accrued liabilities	–459	63
Change in accrued taxes	29,941	5,913
Change in other liabilities	23,593	48,611
Change in deferred income	23,312	11,576
Change in assets and liabilities, total	**11,701**	**16,493**
Cash flow from operating activities	**196,906**	**184,873**

	2013 January – September	2012 January – September
Cash flow from investing activities		
Capital expenditure for intangible assets and property, plant and equipment	–43,505	–44,931
Payments from disposal of assets	1,923	3,233
Purchase of shares in affiliated companies reduced by cash received	–131.398	–104
Reduction from disposal of deconsolidated companies	–193	0
Purchase of shares in associated companies / joint ventures	–20,906	0
Income from deconsolidation of associated companies	0	10,260
Refunding from shares in associated companies	2,639	413
Investments in other financial assets	–106	–1,259
Payments of loans granted	–1,800	–8,559
Payments from deconsolidation of financial assets	0	960
Refunding from other financial assets	979	709
Cash flow from investment activities	**–192,367**	**–39,278**
Cash flow from financing activities		
Purchase of treasury stock	–27,703	0
Change in bank liabilities	94,112	–105,728
Dividend payments	–58,038	–58,132
Dividend payments to non-controlling interests	–1,306	–1,139
Purchase of further shares in associated companies	–293	–607
Cash flow from financing activities	**6,772**	**–165,606**
Net increase (previous year decrease) in cash and cash equivalents	11,311	–20,011
Cash and cash equivalents at beginning of fiscal year	42,828	64,867
Currency translation adjustments of cash and cash equivalents	–154	612
Cash and cash equivalents at end of period	**53,985**	**45,468**

Changes in Shareholders' Equity

from January 1 to September 30, 2013 in €k

	Capital stock		Additional paid-in capital	Accumulated profit	Treasury shares	
	Share	€k	€k	€k	Share	€k
Balance as of January 1, 2012	**215,000,000**	**215,000**	**21,199**	**185,065**	**21,225,158**	**–270,751**
Net income				59,752		
Other net income						
Total net income				**59,752**		
Issue of treasury shares				–2,685	–210,495	2,685
Employee stock ownership programme Sedo Holding			1			
Employee stock ownership programme United Internet			1,931			
Dividend payments				–58,132		
Profit distribution						
Balance as of September 30, 2012	**215,000,000**	**215,000**	**23,131**	**184,000**	**21,014,663**	**–268,066**
Balance as of January 1, 2013	**215,000,000**	**215,000**	**25,468**	**227,012**	**20,662,202**	**–263,570**
Net income				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 program Sedo Holding			–9			
Employee stock ownership program United Internet			2,056			
Dividend payments				–58,038		
Profit distribution						
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**

Revaluation reserve	Cash flow hedge reserve	Currency translation difference	Equity attributable to shareholders of United Internet AG	Non-controlling interests	Total equity
€k	€k	€k	€k	€k	€k
18,276	**–4,380**	**–19,287**	**145,122**	**9,631**	**154,753**
			59,752	262	60,014
7,618	–3,567	3,862	7,913	–21	7,892
7,618	**–3,567**	**3,862**	**67,665**	**241**	**67,906**
			0		0
			1		1
			1,931		1,931
			–58,132		–58,132
			0	–177	–177
25,894	**–7,947**	**–15,425**	**156,587**	**9,695**	**166,282**
9,621	**–7,942**	**–17,301**	**188,288**	**9,855**	**198,143**
			133,222	401	133,623
–329	2,285	–2,817	–861		–861
–329	**2,285**	**–2,817**	**132,361**	**401**	**132,762**
			–27,703		–27,703
			0		0
			0		0
			–9		–9
			2,056		2,056
			–58,038		–58,038
			0	–164	–164
			–293	170	–123
9,292	**–5,657**	**–20,118**	**236,662**	**10,262**	**246,924**

Notes

1. Information on the company

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

2. Significant accounting, valuation and consolidation principles

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

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

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

Mandatory adoption of new accounting standards

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

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

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

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

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

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

Use of estimates and assumptions

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

Miscellaneous

The consolidated interim report includes all subsidiaries and associated companies.

The following companies were formed in the reporting period 2013:

- United Internet Media Software GmbH, Montabaur;
- 1&1 Telecom Service Holding Montabaur GmbH, Montabaur;
- affilinet Austria GmbH, Salzburg, Austria;
- affilinet Schweiz GmbH, Zurich, Switzerland.

The following companies were renamed:

- United Internet Corporate Services GmbH, Montabaur (formerly 1&1 Corporate Services GmbH, Montabaur);
- 1&1 Telecom Service Montabaur GmbH, Montabaur (formerly 1&1 Internet Applications GmbH, Montabaur);
- 1&1 Telecom Service Zweibrücken GmbH, Zweibrücken (formerly 1&1 Internet Service GmbH Zweibrücken, Zweibrücken);
- 1&1 Telecommunication AG, Montabaur (formerly 1&1 Access Holding GmbH, Montabaur);
- United Internet Ventures AG, Montabaur (formerly United Internet Beteiligungen GmbH, Montabaur).

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

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

3. Business combinations and investments

On August 19, 2013, United Internet acquired 100% of shares in Arsys Internet S.L., Logroño (Spain), a company involved in webhosting and cloud computing.

In accordance with IFRS 3 “Business Combinations”, the initial consolidation of Arsys Internet S.L. was made using the purchase method. The results of the acquired company were included in the Group’s consolidated financial statements as of the acquisition date.

The purchase price of € 97,240k was settled in cash. Moreover, 1&1 Internet AG granted Arsys Internet S.L. a loan of € 42,080k, with which the company has repaid liabilities. The ancillary acquisition costs expensed amounted to € 1,256k as of September 30, 2013.

The preliminary price allocation from this transaction results in goodwill of € 112,198k – which mainly reflects the synergy effects.

	2013 **€k**
Assets	
Cash and cash equivalents	7,922
Trade receivables	1,970
Other financial assets	7,646
Intangible assets	36,913
Property, plant and equipment	8,109
	62,560
Liabilities	
Trade payables	2,967
Advanced payments received	12,830
Other current liabilities	5,097
Other non-current liabilities	1,679
Deferred tax liabilities	12,865
	35,438
Total identifiable net assets at fair value	**27,122**
Goodwill from company acquisition	112,198
Transferred compensation	**139,320**

The intangible assets resulting from the preliminary price allocation consist of the following items:

	Fair value (in €k)	**Useful life (in years)**
Customer base	21,000	6
Development costs	2,913	3
Brands	9,000	n/a
Software	4,000	4
	36,913	

The contribution of der Arsys Internet S.L. to earnings – from the initial consolidation date to September 30, 2013 – amounted to € 248k, while revenue generated in the same period reached € 3,398k. If Arsys Internet S.L. had already been consolidated on January 1, 2013, the Group's sales revenue would have increased by € 30,746k in the reporting period of 2013 and consolidated net income by € 1,861k.

On July 18, 2013, United Internet also acquired 28.36% of shares in Open-Xchange AG, Nuremberg, Germany, an e-mail and collaboration specialist. The acquisition costs amounted to € 14,951k. The shares are disclosed as "Shares in associated companies".

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

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.

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					**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 intangible assets capitalized during company acquisitions	0	10,464	0	–	10,464
Number of employees	2,113	4,699	33	–	6,845
- thereof domestic	1,948	3,203	33	–	5,184
- thereof non-domestic	165	1,496	0	–	1,661

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

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

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

January – September 2012	**Access segment €k**	**Applications segment €k**	**Head Office / Investments €k**	**Reconciliation €k**	**United Internet Group €k**
Total revenues	1,169,873	599,372	3,212	–	–
- thereof internal revenues	832	2,024	3,014	–	–
External revenues	1,169,041	597,348	198	–	1,766,587
- thereof domestic	1,169,041	400,932	198	–	1,570,171
- thereof non-domestic	0	196,416	0	–	196,416
EBITDA	145,526	92,099	115	0	237,740
EBIT	125,178	–2,318	17	0	122,877
Financial result			–4,590	–2,057	–6,647
Result from at-equity companies			–4,577	–413	–4,990
EBT			–9,150	120,390	111,240
Tax expense				–51,226	–51,226
Net income					**60,014**
Investments in intangible assets, property, plant and equipment	3,047	41,712	172	–	44,931
Amortization/depreciation	20,348	94,417	98	–	114,863
- thereof intangible assets, property, plant and equipment	20,348	37,298	98	–	57,744
- thereof intangible assets capitalized during company acquisitions	0	10,851	0	–	10,851
- thereof goodwill amortization	0	46,268	0	–	46,268
Number of employees	1,905	4,174	31	–	6,110
- thereof domestic	1,822	2,914	31	–	4,767
- thereof non-domestic	83	1,260	0	–	1,343

5. Personnel expenses

Personnel expenses amounted to € 228,599k in the reporting period of 2013 (prior year: € 202,576k). At the end of September 2013, United Internet employed a total of 6,845 people, of which 1,661 were employed outside Germany. The number of employees at the end of September 2012 amounted to 6,110, of which 1,343 were employed outside Germany.

6. Depreciation and amortization

Depreciation and amortization of intangible assets and property, plant and equipment amounted to € 59,486k (prior year: € 57,744k).

Amortization of capitalized intangible assets resulting from business combinations amounted to € 10,464k (prior year: € 10,851k).

Total depreciation and amortization of intangible assets and property, plant and equipment thus amounted to € 69,950k in the reporting period of 2013 (prior year: € 68,595k).

7. Goodwill amortization

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

Explanations of balance sheet items

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

8. Shares in associated companies

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

	2013 €k
Carrying amount at the beginning of the fiscal year	90,881
Additions	21,293
Adjustments	
- Dividends	–110
- Shares in result	–4,544
- Other	2,213
Disposals	-2,810
	106,923

Additions of € 14,951k result from the acquisition of shares in Open-Xchange AG, Nuremberg, Germany. Other adjustments of € 2,213k refer to profit contributions to associated companies with an investment value of € 0k. The negative profit contributions of associated companies with an investment value of € 0k are only considered if the associated companies were provided with long-term loans or if there are credit / liability commitments. In calculating the profit contributions of the investment in the holding company of Versatel GmbH, VictorianFibre Holding & Co. S.C.A., Luxemburg, added in December 2012, a preliminary price allocation was employed.

9. Other financial assets

The development of these shares was as follows:

	Jan. 01, 2013 €k	Additions €k	Amortization of revaluation reserve Recycling €k	Amortization of revaluation reserve Change €k	Reclassification €k	Disposals €k	Sept. 30, 2013 €k
Goldbach shares	13,770			897		–585	14,082
Hi-media shares	9,754			–1,231			8,523
Afilias shares	8,720						8,720
Portfolio companies of EFF No. 3	10,683						10,683
Purchase price receivable	9,816						9,816
Others	17,390	1,906			–2,213	–222	16,861
	70,133	**1,906**	**0**	**–334**	**–2,213**	**–807**	**68,685**

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

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

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

A total of € 43,505k (prior year: € 44,931k) was invested in property, plant and equipment and intangible assets during the interim reporting period. Investments focused mainly on equipment and software.

Goodwill of € 466,840k disclosed as of September 30, 2013 consists solely of assets belonging to the "Applications" segment.

11. Non-current prepaid expenses

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

12. Liabilities due to banks

Bank liabilities result mainly from a syndicated loan.

This syndicated loan was concluded on June 7, 2011. It was adjusted and prolonged on August 19, 2013. The credit line was raised from € 480 million to € 600 million. As of September 30, 2013, € 390 million have been used.

A promissory note loan ("Schuldscheindarlehen") of € 150.0 million was negotiated on July 23, 2008. The loan was redeemable on maturity and divided into a Tranche A of € 78.0 million and a Tranche B of € 72.0 million, which were both redeemed on schedule at the end of the term in July 2011 and 2013, respectively.

13. Other current financial liabilities

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

14. Other non-current financial liabilities

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

15. Capital stock / treasury shares

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

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

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

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

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

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

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

16. 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 9 for details.

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

Other items

17. Employee stock ownership plans

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

	United Internet AG		Sedo Holding AG	
	SAR	Average strike price (€)	SAR	Average strike price (€)
Outstanding as of December 31, 2012	6,268,375	10.84	80,000	9.86
Issued	1,000,000	16.06	–	–
Issued	400,000	18.13	–	–
Issued	300,000	21.95	–	–
Expired / forfeited	-400,000	13.74	-40,000	4.21
Expired / forfeited	-400,000	15.77	–	–
Expired / forfeited	-54,625	6.07	–	–
Expired / forfeited	-100,000	8.96	–	–
Expired / forfeited	-10,000	13.65	–	–
Expired / forfeited	-200,000	13.89	–	–
Expired / forfeited	-52,550	5.52	–	–
Expired / forfeited	-200,000	9.73	–	–
Expired / forfeited	-30,000	11.73	–	–
Expired / forfeited	-10,000	11.33	-40,000	15.51
Exercised	-850,000	12.85	–	–
Exercised	-2,500	6.07	–	–
Exercised	-509,450	5.52	–	–
Exercised	-5,000	11.33	–	–
Exercised	-20,000	12.12	–	–
Exercised	-125,000	12.03	–	–
Outstanding as of September 30, 2013	4,999,250	13.04	0	0.00

18. 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, 2013:

	Valuation category acc. to IAS 39	Carrying value on Sept. 30, 2013	Amortized cost	Fair value not through profit or loss	Fair value through profit or loss	Fair value on Sept. 30, 2013
	€k	€k	€k	€k	€k	€k
Financial assets						
Cash and cash equivalents	lar	53,985	53,985			53,985
Trade accounts receivable	lar	128,666	128,666			128,666
Other current financial assets	lar	12,527	12,527			12,527
Other non-current financial assets	lar/afs					
Purchase price receivable	lar	9,816	9,816			9,816
Investments	afs	42,008	19,403	22,605		42,008
Others	lar	16,861	16,861			16,861
Financial liabilities						
Trade accounts payable	flac	211,305	211,305			211,305
Liabilities due to banks	flac	394,388	394,388			394,388
Other financial liabilities	flac/hft/hd					
Interest swaps – not hedge accounting	hft	1,775			1,775	1,775
Interest swaps – hedge accounting	hd	8,089		8,089		8,089
Others	flac	88,002	88,002			88,002
Of which aggregated acc. to valuation categories:						
Loans and receivables (lar)	lar	221,855	221,855	0	0	221,855
Available-for-sale (afs)	afs	42,008	19,403	22,605	0	42,008
Financial liabilities measured at amortised cost (flac)	flac	693,695	693,695	0	0	693,695
Held-for-trading (hft)	hft	–1,775	0	0	–1,775	1,775
Hedging derivatives (hd) (negative market value)	hd	8,089	0	8,089	0	8,089

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

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

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

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

Hierarchy of assets and liabilities measured at fair value:

	As of Sept. 30, 2013 €k	Level 1 €k	Level 2 €k	As of Dec. 31, 2012 €k	Level 1 €k	Level 2 €k
Available-for-sale financial assets						
Listed shares	22,605	22,605		23,524	23,524	
Financial liabilities at fair value through profit or loss						
Interest rate swap	1,775		1,775	7,100		7,100
Financial liabilities at fair value not through profit or loss						
Interest rate swap	8,089		8,089	11,356		11,356

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

19. Transactions with related parties

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

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

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

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

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

United Internet's premises in Montabaur and Karlsruhe are leased from Mr. Ralph Dommermuth. The resulting rent expenses are customary and amounted to € 4,612k in the reporting period of 2013 (prior year: € 2,149k).

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

No significant transactions took place.

20. Subsequent events

On October 2, 2013, United Internet acquired the 4,461,379 shares in Sedo Holding AG, Cologne, held by Sedo's founders and raised its stake in the company to 96.05%. The shares in Sedo Holding AG were acquired by United Internet Ventures AG at a price of € 2.60 per share. The members of United Internet's executive bodies Mr. Dommermuth, Mr. Lang and Mr. Scheeren had previously contractually sold their 452,414 shares to United Internet Ventures. The purchase price for these shares will correspond to the cash settlement officially set for all remaining shareholders as examined by a settlement auditor. The price amounts to no more than € 2.60 per share. United Internet aims to integrate the Affiliate Marketing and Domain Marketing business fields operated by Sedo Holding AG more closely into the strategic development of the United Internet Group. Against this backdrop, United Internet Ventures AG has initiated a squeeze-out process pursuant to Secs. 327a ff. AktG for Sedo Holding AG.

Montabaur, November 14, 2013

The Management Board

Ralph Dommermuth | Robert Hoffmann | Norbert Lang

Income Statement

Quarterly development in € million

	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q3 2012
Sales	630.0	629.7	653.3	672.1	603.1
Cost of sales	–408.0	–413.2	–437.3	–442.2	–394.8
Gross profit	**222.0**	**216.5**	**216.0**	**229.9**	**208.3**
Selling expenses	–121.2	–115.9	–123.9	–111.8	–108.3
General administrative expenses	–32.4	–28.5	–27.7	–31.0	–27.1
Other operating income / expense	16.5	–0.3	0.1	–2.4	–3.9
Amortization of intangible assets resulting from company acquisitions	–3.5	–3.5	–3.4	–3.5	–3.6
Amortization of goodwill	0.0	0.0	0.0	0.0	0.0
Operating result	**81.4**	**68.3**	**61.1**	**81.2**	**65.4**
Financial result	–3.0	–2.7	–2.5	–2.5	–3.2
Result from at-equity companies	3.4	–1.5	–1.3	–1.7	–0.5
Pre-tax result	**81.8**	**64.1**	**57.3**	**77.0**	**61.7**
Income taxes	–33.5	–19.6	–18.8	–26.4	–17.2
Net income	**48.3**	**44.5**	**38.5**	**50.6**	**44.5**
Attributable to					
- non-controlling interests	0.2	0.2	0.1	0.1	0.0
- shareholders of United Internet AG	48.1	44.3	38.4	50.5	44.5
Result per share of shareholders of United Internet AG (in €)					
- basic	0.25	0.23	0.20	0.26	0.23
- diluted	0.24	0.23	0.19	0.26	0.23

Financial calendar

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

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Possible addition differences due to rounding effects.

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