3-Month Report

2014

Selected key figures

	March 31, 2014	March 31, 2013	Change
Net income (in € million)			
Sales	709.9	629.7	+ 12.7%
EBITDA	112.1	91.3	+ 22.8%
EBIT	89.7	68.3	+ 31.3%
EBT	86.2	64.1	+ 34.5%
EPS (in €)	0.31	0.23	+ 34.8%
Balance sheet (in € million)			
Current assets	304.3	319.4	– 4.7%
Non-current assets	976.7	803.1	+ 21.6%
Equity	369.3	235.6	+ 56.7%
Equity ratio	28.8%	21.0%	
Total assets	1,281.0	1,122.5	+ 14.1%
Cash flow (in € million)			
Operative cash flow	79.7	69.5	+ 14.7%
Cash flow from operating activities	125.6	86.5	+ 45.2%
Cash flow from investing activities	– 22.2	– 9.7	
Free cash flow[1]	115.9	77.8	+ 49.0%
Employees at the end of March			
Total	6,913	6,361	+ 8.7%
of which “domestic”	5,292	4,997	+ 5.9%
of which “foreign”	1,621	1,364	+ 18.8%
Share (in €)			
Share price at the end of March (Xetra)	34.08	18.97	+ 79.7%
Customer contracts (in million)			
Access contracts, total (in million)	5.72	4.93	+ 0.79
of which Mobile Internet	2.09	1.57	+ 0.52
of which DSL complete (ULL)	3.27	2.89	+ 0.38
of which T-DSL / R-DSL	0.36	0.47	– 0.11
Business Applications, total contracts	5.73	5.28	+ 0.45
of which “domestic”	2.38	2.30	+ 0.08
of which “foreign”	3.35	2.98	+ 0.37
Consumer Applications, total accounts	33.84	33.85	– 0.01
of which with Premium Mail subscription	1.86	1.93	– 0.07
of which with Value-Added subscription	0.33	0.23	+ 0.10
of which with De-Mail address / identification	0.59 / 0.25	0.15 / 0.06	+ 0.44 / 0.19

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

Content

Dear shareholders, employees and business associates of United Internet,

United Internet AG got off to a successful start in its fiscal year 2014. Once again we achieved strong improvements in sales, the number of customer contracts and our key earnings ratios. At the same time, we continued to invest heavily in new business fields, in new customer acquisition, and in the expansion of our existing customer relationships, and new business fields – thus establishing the basis for our future growth.

Specifically, we succeeded in raising consolidated sales to a new record of € 709.9 million in the first quarter of 2014, representing growth of 12.7% over last year's first quarter.

There was also a further increase in customer figures with the addition of 190,000 contracts, taking the total to 13.64 million customer contracts.

This growth was driven by our Access business, where we gained 110,000 Mobile Internet contracts and 70,000 DSL contracts. In this segment, we ran a marketing campaign for our 1&1 DSL premium tariffs in the first quarter of 2014. As part of this campaign, new and existing customers (when changing to a premium tariff) were able to opt for the addition of a heavily subsidized (or even free) brand-name tablet. In the first quarter of 2014, around € 14 million was expensed in total for this campaign. These investments will already have a positive impact on earnings as of the second quarter of 2014.

In the Applications segment, we made changes to our sales and marketing measures – as previously announced – during the reporting period. As part of this change, we focused less on new customer acquisition in the first quarter of 2014 (+10,000 contracts in the entire segment) and more on expanding existing customer relationships. The success of this measure is clearly illustrated by strong year-on-year growth in segment revenue (+11.9%), due for example to the first-time sales of new top-level domains (nTLDs). As a result of increasing contribution margins and reduced advertising spending, start-up losses in our new business fields (De-Mail and 1&1 MyWebsite) were reduced to € 11.9 million in the first quarter of 2014 (prior year: € 28.7 million).

At Group level, earnings before interest, taxes, depreciation and amortization (EBITDA) rose by 22.8%, from € 91.3 million to € 112.1 million, and earnings before interest and taxes (EBIT) by 31.3%, from € 68.3 million to € 89.7 million. Earnings per share (EPS) improved by 34.8%, from € 0.23 in the previous year to € 0.31.

Our free cash flow position underlines the entire Group's ability to generate very healthy levels of cash – while at the same time achieving strong qualitative growth. At € 115.9 million, this figure was well above the prior-year level (€ 77.8 million).

On the back of strong company figures, our share also continued its good performance and closed the first quarter of 2014 at € 34.08. This represents growth of 10.2% over December 31, 2013 and 79.7% over March 31, 2013.

The key figures in customer contracts, sales, and earnings we reached in the first quarter of 2014, as well as the investments already made, mean we are well on course to meet our targets. The second quarter has started well, we expect approx. 220,000 new customer contracts (approx. 180,000 Access, 40,000 Applications). Against this backdrop, we can confirm our guidance for the full year 2014 and continue to expect the number of fee-based customer contracts to grow by over 800,000 with an increase in revenue of around 10%. We are also planning strong growth in earnings: after start-up losses in new business fields and advertising costs for the "E-Mail made in Germany" initiative, EBITDA is expected to improve to around € 520 million (prior year: € 407.2 million). Earnings per share are likely to be between € 1.40 and € 1.50 (prior year: € 1.07).

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

Montabaur, May 20, 2014

Ralph Dommermuth

Group management report for the first quarter of 2014

Principles of the Group

Business model

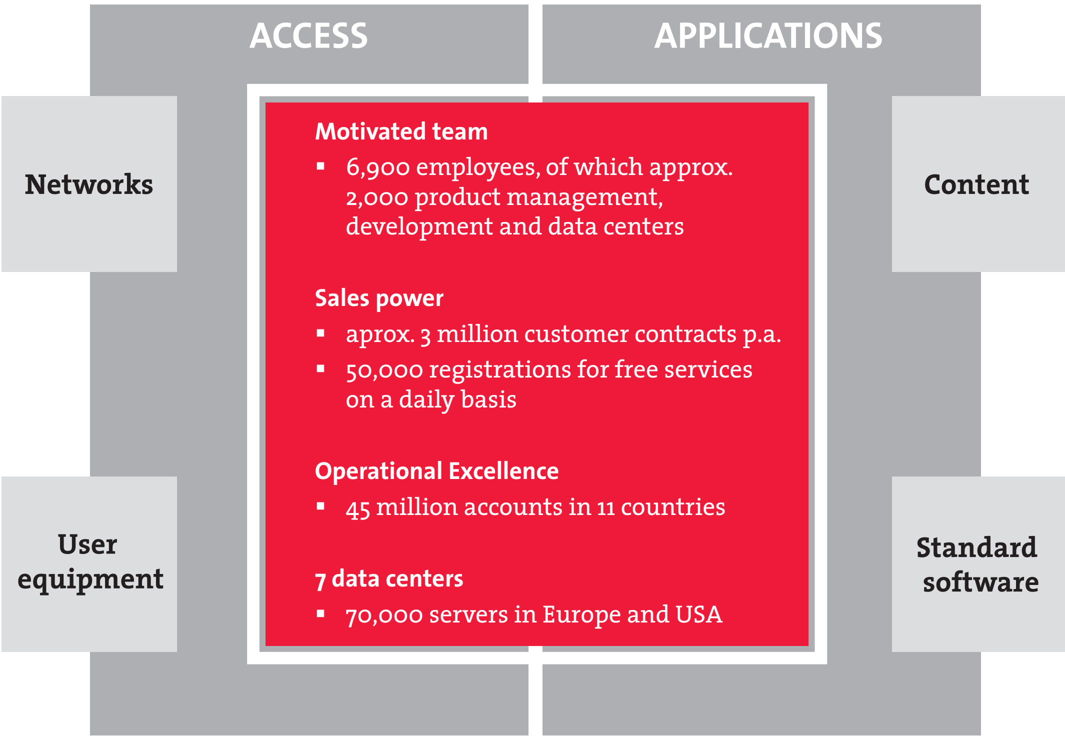
Founded in 1988 and headquartered in Montabaur, Germany, United Internet AG is Europe's leading internet specialist with 13.64 million fee-based customer contracts and 31.65 million ad-financed free accounts around the world.

The operating activities of United Internet AG are divided into the two segments / business divisions "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 Factories" in order to differentiate them from the competition. Access products are marketed by the well-known brands GMX, WEB.DE and 1&1, which enable the company to offer a comprehensive range of products to a mass market while also targeting specific customer groups.

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

BUSINESS-MODEL



1&1 GMX WEB.DE

fasthosts sedo HOLDING arsys

InterNetX united domains® THE DOMAIN PEOPLE

Group structure, strategy and control

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

Research and development

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

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

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

- Integration of the new pre-service provider E-Plus into the Mobile Internet product range
- Further development of 1&1's e-mail applications
- Development and implementation of new e-shops based on ePages technology
- Expansion of the "1&1 MyWebsite" product family with the addition of the new offering "1&1 MyWebsite by Experts"
- Change of SSL encryption for e-mail services to German keys as part of the "E-Mail made in Germany" initiative
- Provision of registration process for first nTLDs

General economic, sector and legal conditions

Macroeconomic development

Subsequent to the first quarter of 2014, the International Monetary Fund (IMF) published its "World Economic Outlook" (update April 2014) in which it downgraded its former forecast for the **global economy** in 2014 by 0.1 percentage point to 3.6%.

According to the IMF, the main motivation for this downgrade – apart from the Ukraine crisis – was the weaker economic trend in the emerging markets which are being burdened by the monetary policy of the US Federal Reserve (investors are betting increasingly on US investments and pulling capital out of other countries).

Due to strong domestic demand and rising exports, economic growth in the **USA** developed in line with expectations in the first quarter of 2014. The IMF therefore left its full-year forecast unchanged (2.8% growth in 2014). The forecast for **Mexico** (3.0% growth) was also unchanged. In the case of **Canada**, the IMF raised its growth forecast slightly by 0.1 percentage points to 2.3%. All three of United Internet's target markets in North America therefore progressed as expected.

The IMF believes that the economy of the **eurozone's** core states recovered in the first quarter of 2014 – although any upturn remains fragile in the crisis-hit countries of southern Europe. All in all, the IMF forecasts stronger growth in those eurozone countries of importance to United Internet, with an upgrade of 0.1 percentage points (compared to the January forecast) to 1.2% in 2014.

On the back of solid growth in the first quarter, the IMF upgraded its 2014 forecast for United Internet's most important market, **Germany** (sales share 2013: 88.8%), by 0.2 percentage points to 1.7 percent.

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

	January forecast	April forecast	Change
World	3.7%	3.6%	– 0.1%
USA	2.8%	2.8%	+/– 0%
Canada	2.2%	2.3%	+ 0.1%
Mexico	3.0%	3.0%	+/– 0%
Eurozone	1.1%	1.2%	+ 0.1%
Germany	1.5%	1.7%	+ 0.2%
France	0.9%	1.0%	+ 0.1%
Italy	0.6%	0.6%	+/– 0%
Spain	0.6%	0.9%	+ 0.3%
UK	2.5%	2.9%	+ 0.4%

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

Germany's strong progress in the first quarter of 2014 is also illustrated by the sentiment barometer (adjusted for price, seasonal and calendar effects) of the German Institute for Economic Research (DIW Berlin), which expects a healthy increase of 0.7% in the first quarter of the current year compared to the final quarter of 2013. This would mean that Germany's economic recovery continued to gain pace in the first quarter of 2014. According to the DIW, the main reasons are a sharp rise in construction due to the mild winter and an increase in consumer spending.

GDP development in Germany compared to previous quarter

	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
GDP	−0.5%	+0.0%	+0.7%	+0.3%	+0.4%	+ 0.7%

Source: German Institute for Economic Research (DIW); status: April 30, 2014

Sector development

Following a successful start to the year, Germany's high-tech companies are also very optimistic about their prospects for the remaining months of 2014. According to a recent survey (February 2014) of the German ICT sector, conducted by the country's high-tech sector association BITKOM, 78% of all IT and telecommunication companies interviewed expect sales to rise in the first six months of 2014. A further 11% predict unchanged sales compared to the same prior-year period, and only 11% of companies expect sales to fall. Expectations are particularly high among domestic software suppliers and IT service providers, 87% and 85% of which forecast rising sales in the first half of 2014. Only 7% of these two groups expect revenues to fall in their segment.

Companies are also optimistic about 2014 as a whole: 82% of ICT companies expect sales growth and only 11% a decline in revenue.

Legal conditions / significant events

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

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

Business development of the Group

Development of the Access segment

As a result of dynamic customer growth, **sales** of the Access segment rose by 13.2% to € 477.2 million in the first quarter of 2014.

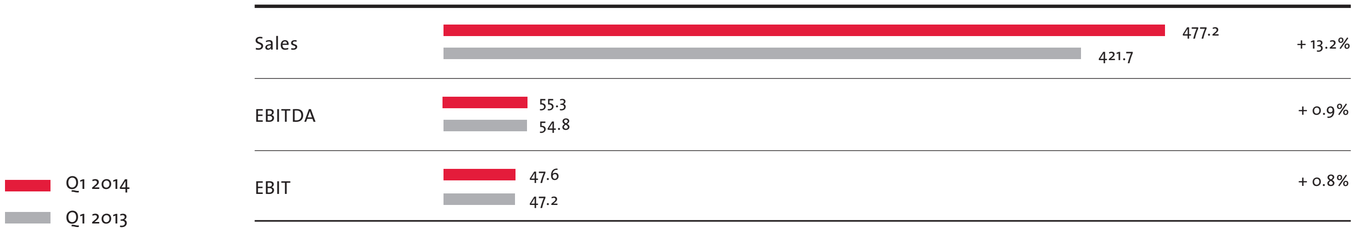
A **marketing campaign** for the 1&1 DSL premium tariffs was held during the first quarter of 2014. In the course of this campaign, new and existing customers (when changing to a premium tariff) were able to opt for the addition of a heavily subsidized (or even free) brand-name tablet. Costs of approx. € 14 million incurred during this campaign were directly expensed. As a result, these investments will already have a positive impact on earnings as of the second quarter of 2014.

EBITDA and **EBIT** were thus slightly up on the previous year at € 55.3 million (prior year: € 54.8 million) and € 47.6 million (prior year: € 47.2 million), respectively.

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

The number of employees in the Access segment fell by 6.9%, from 2,233 as of March 31, 2013 to 2,078 as of March 31, 2014 – due mainly to staff transfers to the Applications segment.

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



Quarterly development (in € million)

	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q1 2013	Veränderung
Sales	441.5	458.7	466.4	477.2	421.7	+ 13.2%
EBITDA	54.0	67.1	69.5	55.3	54.8	+ 0.9%
EBIT	47.3	60.2	62.7	47.6	47.2	+ 0.8%

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

	Q1 2010	Q1 2011	Q1 2012	Q1 2013	Q1 2014
Sales	300.8	321.2	375.6	421.7	477.2
EBITDA	31.7	31.1	41.3	54.8	55.3
EBITDA margin	10.5%	9.7%	11.0%	13.0%	11.6%
EBIT	25.2	23.8	34.8	47.2	47.6
EBIT margin	8.4%	7.4%	9.3%	11.2%	10.0%

The number of fee-based **Access contracts** rose by 180,000 to 5.72 million contracts in the first quarter of 2014. Of this figure, the segment added 110,000 new customer contracts in its Mobile Internet business and thus raised the number of customers to 2.09 million. There was also growth in the important complete DSL contract business with the addition of 90,000 customer contracts to reach a total of 3.27 million. As expected, the number of customer contracts for those business models being phased out (T-DSL and R-DSL) continued to fall (-20,000 customer relationships). All in all, the total number of DSL contracts grew by 70,000 contracts to 3.63 million.

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

	March 31, 2014	Dec. 31, 2013	Change
Access, total contracts	5.72	5.54	+ 0.18
of which Mobile Internet	2.09	1.98	+ 0.11
of which DSL complete (ULL)	3.27	3.18	+ 0.09
of which T-DSL / R-DSL	0.36	0.38	– 0.02

Product highlights in the first quarter of 2014

In the period under review, the United Internet brand 1&1 expanded and revamped its Mobile Internet tariff portfolio for notebook and tablet users.

- In January 2014, 1&1 added the new "1&1 Notebook Flat Special" to its range of **notebook user tariffs**. For a monthly fee of € 4.99, the tariff includes 500 MB of high-speed surfing volume at up to 7.2 MBit/s. The tariff appeals especially to occasional users. In addition, the three existing 1&1 Notebook Flat tariffs were upgraded and optimized for varying user needs. The "1&1 Notebook Flat L" for € 9.99 per month offers 1.5 GB of high-speed surfing volume at up to 14.4 MBit/s. For € 14.99 per month, "1&1 Notebook Flat XL" includes 3 GB of high-speed surfing volume at up to 21.6 MBit/s. And the "1&1 Notebook Flat XXL" tariff for heavy users now offers 7.5 GB of high-speed surfing volume for € 24.99 per month.

- At the same time, 1&1 has also optimized its **tariffs for tablet users**. The new "1&1 Tablet Flat Special" with 500 MB of high-speed surfing volume at up to 7.2 Mbit/s was launched for newcomers. The special tariff with a 24-month term costs € 4.99 per month. The "1&1 Tablet Flat L" tariff remains unchanged at € 9.99 per month (without device) or € 19.99 (with free tablet PC) and now offers 1.5 GB of high-speed surfing volume at up to 14.4 MBit/s. The "1&1 Tablet Flat XL" is also unchanged at € 19.99 (without device) or € 29.99 (with free tablet PC) but now offers twice as much high-speed surfing volume (5 GB) at up to 21.6 MBit/s.

Development of the Applications segment

In the first quarter of 2014, **sales** of the Applications segment rose by 11.9% to € 232.6 million (of which sales abroad accounted for € 85.3 million).

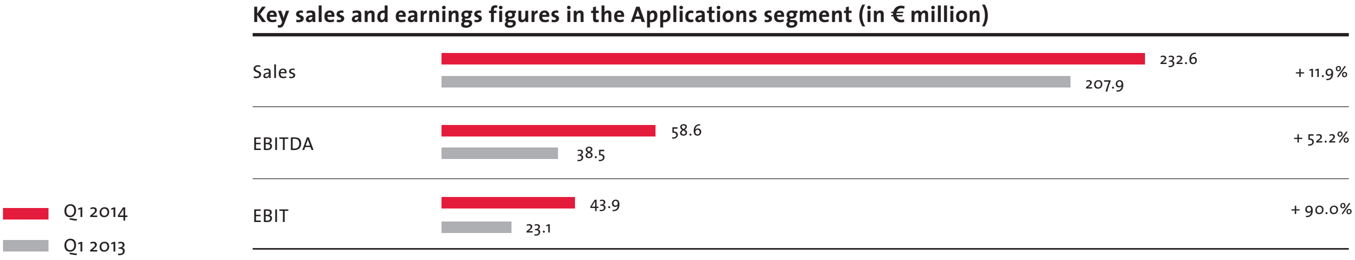
Due to increasing contribution margins and reduced advertising spending, **start-up losses** in the new business fields – De-Mail and 1&1 MyWebsite – were reduced from € 28.7 million in the previous year to € 11.9 million in the first quarter of 2014.

This was one of the reasons why earnings easily outpaced sales growth. **EBITDA** was increased by 52.2%, from € 38.5 million last year to € 58.6 million, while **EBIT** improved by 90.0%, from € 23.1 million in the previous year to € 43.9 million.

Customer acquisition costs in this segment also continue to be charged directly as expenses.

The number of employees in the Applications segment grew by 17.0% – due in part to the Arsys acquisition – from 4,100 as of March 31, 2013 to 4,799 as of March 31, 2014.

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



Quarterly development (in € million)

	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q1 2013	Change
Sales	211.7	213.4	234.0	232.6	207.9	+ 11.9%
EBITDA	32.3	41.0	56.9	58.6	38.5	+ 52.2%
EBIT	16.4	23.7	38.9	43.9	23.1	+ 90.0%

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

	Q1 2010	Q1 2011	Q1 2012	Q1 2013	Q1 2014
Sales	161.8	177.3	201.2	207.9	232.6
Start-up losses[1]	3.3	5.4	36.4	28.7	11.9
EBITDA	60.5	58.9	30.7	38.5	58.6
EBITDA margin	37.4%	33.2%	15.3%	18.5%	25.2%
EBIT	47.4	46.0	14.9	23.1	43.9
EBIT margin	29.3%	25.9%	7.4%	11.1%	18.9%

[1] Start-up losses = EBITDA-effective start-up losses in new business fields

In the Applications segment, the company made changes to its sales and marketing measures – as previously announced – during the first three months of the year. As part of this change, there was less focus on new customer acquisition in the first quarter of 2014 and more on the sale of additional features (e.g. further domains, e-shops and business apps) to existing customers. The number of fee-based **Business Applications** contracts was therefore unchanged at 5.73 million. Contracts in Germany rose by 10,000 to 2.38 million, while contracts abroad decreased by 10,000 to 3.34 million. The number of 1&1 MyWebsite contracts remained steady at 0.51 million. The successful expansion of business with existing customers in the first quarter of 2014 is clearly illustrated by the strong revenue growth of this segment (+11.9%), which was due for example to the first-time sale of over 90,000 nTLDs.

Development of Business Applications contracts in the first quarter of 2014 (in million)	March 31, 2014	Dec. 31, 2013	Change
Business Applications, total contracts	5.73	5.73	+/– 0
of which “domestic”	2.38	2.37	+ 0.01
of which “foreign”	3.35	3.36	– 0.01

The number of **Consumer Accounts** rose by 150,000 to 33.84 million in the first quarter of 2014, due in particular to the usual seasonal fluctuations in the number of active free accounts. Fee-based accounts with Premium Mail subscriptions declined by 10,000 to 1.86 million. This was brought about by the expanded scope of services provided by competing and ad-financed free accounts. By contrast, fee-based accounts with Value Added subscriptions rose by 20,000 to 330,000. As a result, fee-based Consumer Accounts rose in total by 10,000 contracts to 2.19 million. Following the accreditation received just over a year ago (March 5, 2013), a total 590,000 De-Mail usage contracts were completed as of March 31, 2014 – of which 250,000 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.

Development of Consumer Applications contracts in the first quarter of 2014 (in million)	March 31, 2014	Dec. 31, 2013	Change
Consumer Applications, total accounts	33.84	33.69	+ 0.15
of which with Premium Mail subscription	1.86	1.87	– 0.01
of which with Value-Added subscription	0.33	0.31	+ 0.02
of which with De-Mail address / identification	0.59 / 0.25	0.49 / 0.21	+ 0.10 / 0.04

Product highlights in the first quarter of 2014

In the period under review, activities in the field of Business Applications focused on improvements to webhosting packages and the launch of new e-shop software. Consumer Application activities centered on the free integration of De-Mail into the e-mail services of GMX and WEB.DE, as well as the finalization of encrypted communication as part of the "E-Mail made in Germany" initiative.

- In January 2014, 1&1 unveiled numerous changes to its **webhosting packages** which improve the performance and security of websites. The Content Delivery Network (CDN) offers drastically improved loading times for images and content which could not previously be cached. As well as supporting the latest PHP5.5 version, test installations for click & build apps are also offered. In addition, selected packages include 1&1 SiteLock – enabling website operators to monitor the security level of their sites.

- In March 2013, 1&1 presented a new generation of its **shop software**. Developed in collaboration with ePages, 1&1 E-Shops offer everything a dealer needs for successful online trading at prices starting from € 0.99 per month in the first year. 1&1 E-Shops automatically adapt to mobile devices, support social networks and offer buyers a genuine online shopping experience. This enables vendors to clearly differentiate themselves from the competition and enjoy greater online success.

- In March 2014, GMX and WEB.DE also announced a greatly improved tariff offer for **De-Mail**: the integrated De-Mail flat rate enables all customers of GMX and WEB.DE to send and receive an unlimited number of De-Mails

- After more than half a year of **"E-Mail made in Germany"**, the members of the alliance looked back in late March 2014 on a successful start to the campaign: over 90% of approximately 50 million "E-Mail made in Germany" users were already using encrypted services. Only SSL keys certified in Germany are now used and all transmission paths have been fully encrypted since April 29, 2014.

Significant changes in investments

United Internet subsidiary **Sedo Holding AG** held an extraordinary general meeting in Frankfurt am Main on February 3, 2014. The shareholders approved the agenda item "Resolution on the transfer of shares held by the remaining shareholders (minority shareholders) of Sedo Holding AG to United Internet Ventures AG, with registered office in Montabaur (majority shareholder), in exchange for appropriate cash consideration pursuant to Secs. 327a ff. AktG (squeeze-out)". The District Court of Cologne entered this resolution in the Commercial Register on March 21, 2014. On entry of this transfer resolution, all shares of the minority shareholders of Sedo Holding AG were transferred by law to United Internet Ventures AG. Following the delisting of Sedo Holding AG shares on March 21, 2014, the admission for trading on the Regulated Market was revoked on March 27, 2014. With the aid of the squeeze-out, United Internet aims to integrate the business fields operated by Sedo Holding AG – Affiliate Marketing (via affilinet) and Domain Marketing (via Sedo) – more closely into the strategic development of the United Internet Group. In addition to the planned closer integration of Sedo activities with other business fields of the Group, United Internet also aims to make Sedo and affilinet more flexible and effective on the market with the aid of faster decision processes and to save costs relating to its stock market listing and mandatory disclosures.

On February 19, 2014, United Internet announced that it had acquired – via United Internet Ventures AG – a stake of around 25% in the e-shop specialist **ePages** in the course of a capital increase. Based in Hamburg, Germany, ePages GmbH is Europe's market leader in online shop software for small and mid-size companies with 80,000 customers. The cloud solution of ePages enables merchants with no prior experience to create professional online shops. The solutions are suitable for a variety of company sizes and are currently marketed via 100 partner companies (e.g. hosting providers, telecommunication companies, business directories etc.). This enables partners to tap new e-business revenue streams without having to develop their own shop systems. In addition to the equity stake, ePages and United Internet's subsidiary 1&1 have agreed a long-term cooperation contract for the use of ePages solutions. In the course of this cooperation, there will be a joint technology platform in future for 1&1 E-Shops. The investment in ePages will complement United Internet's own product portfolio of cloud applications.

Share and dividend

With growth of 10.2% to € 34.08 as of March 31, 2014 (December 31, 2013: € 30.92), United Internet's share price continued to rise in the first quarter of 2014 and easily outperformed the DAX (+0.0%) and TecDAX (+7.3%) indices. Compared to March 31, 2013 (€ 18.97), the share grew by 79.7%.

Share development

	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	March 31, 2014
Closing price (Xetra)	€ 11.23	€ 12.70	€ 14.13	€ 18.97	€ 34.08
Number of shares	240 million	240 million	215 million	194 million	194 million
Market value	€ 2.70 billion	€ 3.05 billion	€ 3.04 billion	€ 3.68 billion	€ 6.61 billion

United Internet AG intends to continue its shareholder-friendly dividend policy in the fiscal year 2014. At the Annual Shareholders' Meeting to be held on May 22, 2014, the Management Board and Supervisory Board will propose a **dividend** of € 0.40 (prior year: € 0.30) per share for the fiscal year 2013. On the basis of 193.8 million shares with dividend entitlement (as of March 31, 2014), the total dividend payment for fiscal year 2013 would amount to € 77.5 million. This would correspond to 37.4% of consolidated net income after tax for 2013 – and is thus at the upper end of the 20-40% of adjusted consolidated net income targeted by the company's dividend policy (unless funds are required for further company development). Based on the closing 2013 price of the United Internet share on March 31, 2014, the dividend yield would be 1.2%.

Dividend development for each fiscal year

	For 2010	For 2011	For 2012	For 2013[3]
Dividend per share (in €)	0.20	0.30	0.30	0.40
Dividend payment (in € million)	42.0	58.1	58.0	77.5
Payout ratio	32.4%	35.8%	53.6%	37.4%
Payout ratio without special items [1]	32.4%	35.8%	37.5%	37.4%
Dividend yield [2]	1.6%	2.1%	1.6%	1.2%

[1] Sedo impairments (2012)
[2] As of: March 31
[3] Subject to approval of Annual Shareholders' Meeting 2014

Position of the Group

Earnings position

United Internet AG can look back on a successful first quarter of its fiscal year 2014. Consolidated **sales** grew by 12.7% in the reporting period, from € 629.7 million in the previous year to € 709.9 million. Sales of the Access segment improved by 13.2%, from € 421.7 million to € 477.2 million and in the Applications segment sales rose by 11.9%, from € 207.9 million to € 232.6 million. Foreign sales (exclusively in the Applications segment) were increased by 22.9%, from € 69.4 million to € 85.3 million.

In the first quarter of 2014, United Internet once again invested heavily in new customer relationships (especially in its Access business) and the expansion of existing customer relationships. The number of **fee-based customer contracts** was increased by 190,000 to a total of 13.64 million. All **customer acquisition costs** for Access and Applications products, as well as costs for the migration of resale DSL connections to complete DSL packages, continue to be charged directly as expenses.

Gross margin improved from 34.4% in the previous year to 34.7% in the first quarter of 2014. As a result of increased sales, **gross profit** rose by 13.7% – from € 216.5 million in the previous year to € 246.2 million.

Sales and marketing expenses grew more slowly than sales, from € 115.9 million (18.4% of sales) last year to € 124.7 million (17.6% of sales). **Administrative expenses** increased in line with sales from € 28.5 million last year to € 31.9 million in the reporting period (4.5% of sales in both years).

Development of key cost items (in € million)

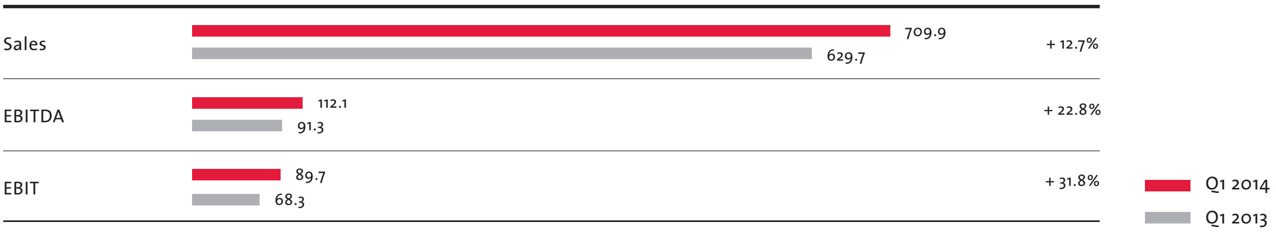
	Q1 2010	Q1 2011	Q1 2012	Q1 2013	Q1 2014
Cost of sales	291.7	327.1	380.7	413.2	463.6
Cost of sales ratio	63.0%	65.6%	66.0%	65.6%	65.3%
Gross margin	37.0%	34.4%	34.0%	34.4%	34.7%
Selling expenses	70.0	80.3	119.5	115.9	124.7
Selling expenses ratio	15.1%	16.1%	20.7%	18.4%	17.6%
Administrative expenses	22.4	21.6	24.6	28.5	31.9
Administrative expenses ratio	4.8%	4.3%	4.3%	4.5%	4.5%

In the Access segment, a **marketing campaign** for 1&1 DSL premium tariffs was conducted in the first quarter of 2014. As part of this campaign, new and existing customers (when changing to a premium tariff) were able to opt for the addition of a heavily subsidized (or even free) brand-name tablet. Costs of approx. € 14 million incurred during this campaign were directly expensed. As a result, these investments will already have a positive impact on earnings as of the second quarter of 2014.

As a result of increasing contribution margins and reduced advertising spending, **start-up losses** in the new business fields of the Applications segment (De-Mail and 1&1 MyWebsite) were reduced to € 11.9 million in the first quarter of 2014 (prior year: € 28.7 million).

All in all, **EBITDA** rose by 22.8%, from € 91.3 million to € 112.1 million, **EBIT** by 31.3%, from € 68.3 million to € 89.7 million, and **EBT** by 34.5%, from € 64.1 million to € 86.2 million. **EPS** improved by 34.8%, from € 0.23 to € 0.31.

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



Quarterly development (in € million)

	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q1 2013	Change
Sales	653.3	672.1	700.6	709.9	629.7	+ 12.7%
EBITDA	83.8	105.4	126.7	112.1	91.3	+ 22.8%
EBIT	61.1	81.2	101.9	89.7	68.3	+ 31.3%

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

	Q1 2010	Q1 2011	Q1 2012	Q1 2013	Q1 2014
Sales	462.8	498.6	576.9	629.7	709.9
Start-up losses[1]	3.3	5.4	36.4	28.7	11.9
EBITDA	90.3	90.5	70.5	91.3	112.1
EBITDA margin	19.5%	18.2%	12.2%	14.5%	15.8%
EBIT	70.7	70.3	48.3	68.3	89.7
EBIT margin	15.3%	14.1%	8.4%	10.8%	12.6%

[1] Start-up losses = EBITDA-effective start-up losses in new business fields

Financial position

Operative cash flow rose from € 69.5 million in the previous year to € 79.7 million in the first quarter of 2014.

Despite the increase in business (sales growth of 12.7%), **net cash inflows from operating activities** increased from € 86.5 million to € 125.6 million.

Net cash outflows from investing activities amounted to € 22.2 million in the reporting period (prior year: € 9.7 million). This resulted mainly from disbursements of € 12.2 million (prior year: € 9.0 million) for capital expenditures, as well as from payments for the acquisition of shares in associated companies of €12.2 million (investment in ePages and investments via Global Founders Capital No. 1 (formerly European Founders Fund No. 1)).

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 € 115.9 million – compared to € 77.8 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 quarter of 2014 was dominated by the redemption of loans totaling € 83.8 million (prior year: € 21.2 million), as well as the acquisition of further shares in affiliated companies (those Sedo shares acquired as part of the Sedo Holding AG squeeze-out) amounting to € 4.7 million.

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

	Q1 2010	Q1 2011	Q1 2012	Q1 2013	Q1 2014
Operative cash flow	71.7	65.8	44.9	69.5	79.7
Cash flow from operating activities	86.6	39.2	19.4	86.5	125.6
Cash flow from investing activities	–14.4	0.6	–8.4	–9.7	–22.2
Free cash flow[1]	72.9	34.0	13.9	77.8	115.9
Cash flow from financing activities	–55.8	–64.6	–3.8	–26.9	–88.5
Cash and cash equivalents on March 31	133.7	70.6	72.1	92.1	57.6

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

Asset position

The **balance sheet total** rose from € 1.270 billion[1] as of December 31, 2013 to € 1.281 billion as of March 31, 2014.

Non-current assets increased slightly from € 970.9 million[1] as of December 31, 2013 to € 976.7 million as of March 31, 2014. Within this item, additions to property, plant and equipment and intangible assets of € 12.2 million (for furniture and fixtures, as well as software) were opposed by depreciation and amortization of € 22.3 million. Goodwill was virtually unchanged at € 453.5 million. Due to the stake acquired in ePages and investments via Global Founders Capital No. 1, shares in associated companies rose from € 115.3 million[1] as of December 31, 2013 to € 126.3 million.

Current assets increased from € 299.3 million[1] as of December 31, 2013 to € 304.3 million on March 31, 2014. Cash and cash equivalents disclosed under current assets rose from € 42.8 million[1] to € 57.6 million in the reporting period. Trade accounts receivable decreased from € 135.5 million to € 125.2 million, partly because of closing-date effects.

In the first quarter of 2014, bank liabilities were reduced from € 340.0 million to € 256.2 million. **Net bank liabilities** (bank liabilities netted with cash and cash equivalents) fell by € 98.7 million, from € 297.3 million[1] to € 198.6 million.

As of March 31, 2014, United Internet still held 244,265 **treasury shares**.

The Group's **equity ratio** rose from 24.2% as of December 31, 2013 to 28.8% on March 31, 2014.

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

	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2013	March 31, 2014
Total assets	1,271.3	1,187.0	1,107.7	1,270.3[1]	1,280.0
Cash and cash equivalents	96.1	64.9	42.6	42.8[1]	57.6
Shares in associated companies	84.1	33.6[2]	90.9[2]	115.3[1]	126.3
Property, plant and equipment	108.7	110.9	109.2	116.2	112.2
Intangible assets	221.4	187.4	151.8	165.1	156.6
Goodwill	402.9	401.3	356.2	452.8	453.5
Liabilities due to banks	369.4	524.6[3]	300.3[3]	340.0	256.2
Capital stock	240.0	215.0[4]	215.0	194.0[4]	194.0
Treasury stock	241.0	270.8	263.6	5.2[4]	5.2
Equity	382.4	154.8[5]	198.1	307.9	369.3
Equity ratio	30.1%	13.0%	17.9%	24.2%	28.8%

[1] Retroactively adjusted (see "New mandatory accounting standard")
[2] Sale of Versatel shares (2011); repurchase of Versatel shares via Versatel's holding company (2012)
[3] Increase due to share buybacks; decrease due to repayment of loans
[4] Decrease due to share cancellations
[5] Decrease due to share buybacks

New mandatory accounting standard

The risk-opportunity approach previously specified by SIC-12 is no longer relevant for the purpose of assessing the existence of control under IFRS 10. The amendments meant that shares in the special-purpose vehicles Global Founders Capital No. 2 and No. 3 (formerly European Founders Fund No. 2 and No. 3), which were fully consolidated until December 31, 2013, have been regarded as associates since January 1, 2014 and were accounted for in the Consolidated Financial Statements using the equity method. IFRS 10 is to be applied retrospectively, i.e. prior-year figures were adjusted accordingly. The new mandatory accounting standard did not have any impact on net income for the period or the company's equity. Please refer to the Annual Report 2013, page 136 et seq., for further details.

Management Board's overall statement on the current business situation

Although economic growth in all target countries remains modest, United Internet AG continued its dynamic development in the first quarter of 2014 with an increase of 190,000 customer contracts to 13.64 million contracts, sales growth of 12.7% to € 709.9 million and an improvement in EBITDA of 22.8% to € 112.1 million.

At the same time, the company made further heavy investments in new business fields, in new customer acquisition, and in the expansion of existing customer relationships – thus cementing the basis for future growth. The marketing campaign for DSL premium tariffs in the first quarter of 2014, for example, will already have a positive impact on earnings as of the second quarter of 2014.

The company's dynamic development once again highlights the benefits of United Internet's business model based predominantly on electronic subscriptions with fixed monthly payments and contractually fixed terms. This ensures stable and predictable revenues and cash flows, offers protection against cyclical influences and provides the financial scope to grasp opportunities in new business fields and new markets – organically or via investments and acquisitions.

The financial position of United Internet AG also made strong progress. The free cash flow position underlines the entire Group's ability to generate very healthy levels of cash – while at the same time achieving strong qualitative growth. At € 115.9 million, this figure was well above the prior-year level (€ 77.8 million).

Thanks to this high level of cash flow, net bank liabilities were reduced by € 98.7 million to € 198.6 million in the first quarter of 2014 – resulting in a further improvement in the balance sheet profile.

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

Personnel report

As a result of the ongoing expansion of business, there was a further increase in headcount in the first quarter of 2014. As of March 31, 2014, United Internet employed a total of 6,913 people. Compared to the previous year (6,361 employees), headcount increased by 552 staff or 8.7% – due in part to the takeover of Spanish competitor Arsys in the third quarter of 2013.

Of this total, 2,078 people were employed in the Access segment, 4,799 in the Applications segment and 36 at the Group's headquarters.

The number of employees at the Group's companies outside Germany rose by 257 or 18.8%, from 1,364 in the previous year to 1,621.

Headcount development (by segment and domestic/foreign)

	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	March 31, 2014	Change
Employees, total	4,626	5,131	5,775	6,361	6,913	+ 8.7%
thereof domestic	3,730	4,082	4,514	4,997	5,292	+ 5.9%
thereof foreign	896	1,049	1,261	1,364	1,621	+ 18.8%
Access segment	1,659	1,699	1,862	2,233	2,078	– 6.9%
Applications segment	2,941	3,402	3,884	4,100	4,799	+ 17.0%
Headquarters	26	30	29	28	36	+ 28.6%

Personnel expenses rose by 9.2%, from € 74.1 million in the previous year to € 80.9 million in the first quarter of 2014.

Development of personnel expenses (in € million)

	Q1 2010	Q1 2011	Q1 2012	Q1 2013	Q1 2014	Change
Personnel expenses	48.0	53.5	63.3	74.1	80.9	+ 9.2%
Personnel expense ratio	10.4%	10.7%	11.0%	11.8%	11.4%	

Subsequent events

There were no significant events subsequent to the reporting date of March 31, 2014 which had a material effect on the company's financial position and performance or affected the company's accounting and reporting.

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

On April 17, 2014, United Internet AG announced that it had acquired – via United Internet Ventures AG – a stake of around 25% in **favor.it labs GmbH**, operator of the online listing specialist Uberall.com, in the course of a capital increase. Based in Berlin, Uberall brings together local companies and customers via the internet. On behalf of its customers, Uberall ensures that companies can be found in all standard directories, online business directories, mobile apps and map services and that all details are consistent. Uberall also promotes improved customer dialogue with the aid of real-time notifications about reviews and enquiries on the affiliated portals. Uberall will use the new funds mainly for further international expansion. In addition to the equity stake, United Internet subsidiary 1&1 Internet AG will sign a long-term cooperation agreement with Uberall to use its solutions. As part of this cooperation, 1&1 will use Uberall's cloud technology which offers all online listing functions freelancers and SMEs need for successful online operations.

Risk and opportunity report

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

Management Board's overall assessment of the Group's risk and opportunity position
The assessment of the overall level of risk is based on a consolidated view of all significant risk fields and individual risks, also taking account of their interdependencies.

In the first quarter of 2014, the overall risk and opportunity situation remained mostly stable compared with the risk and opportunity report provided in the Annual Financial Statements 2013. There were no recognizable risks which directly jeopardized the continued existence of the United Internet Group during the reporting period nor at the time of preparing this Management Report, neither from individual risk positions nor from the overall risk situation.

From the current perspective, the main challenges focus on the areas of potential threats via the internet, the use of hardware and software, political and legal risks, as well as risks from the market and fraud.

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

Forecast report

Economic prospects

Subsequent to the first quarter of 2014, the International Monetary Fund (IMF) adjusted its forecasts in its "World Economic Outlook" of April 2014.

Whereas the IMF downgraded its expectations slightly for the **global economy** as a whole (-0.1 percentage points), the forecasts for United Internet's **North American target markets** remained largely stable. The IMF's outlook was upgraded slightly for the eurozone and the company's **European target markets** – with the exception of Italy (unchanged).

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

	2015e	2014e	2013
World	3.9%	3.6%	3.0%
USA	3.0%	2.8%	1.9%
Canada	2.4%	2.3%	2.0%
Mexico	3.5%	3.0%	1.1%
Eurozone	1.5%	1.2%	–0.5%
Germany	1.6%	1.7%	0.5%
France	1.5%	1.0%	0.3%
Italy	1.1%	0.6%	–1.9%
Spain	1.0%	0.9%	–1.2%
UK	2.5%	2.9%	1.8%

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

Sector and market expectations

Further international and national growth is forecast for the IT and telecommunications industry (ICT) in 2014. According to the German industry association BITKOM, the global ICT market will grow by 4.5% to € 2.96 trillion in 2014. BITKOM expects the ICT market in the EU to grow by 1.3% in 2014.

The German ICT market is expected to grow by 1.7% in 2014 to € 153.4 billion. Within the overall market, the IT sector is set to enjoy the strongest growth of 2.8% to € 76.3 billion. According to the BITKOM forecast, the telecommunications market will experience much slower growth of 0.5% to € 66.2 billion. Following a sharp decline in the previous year, BITKOM expects a recovery in sales of consumer electronics products with revenue growth of 1.9% to € 10.9 billion.

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

	2014e	2013	Change
Total ICT market	153.4	150.8	+ 1.7%
IT sub-market	76.3	74.2	+ 2.8%
Telecommunications sub-market	66.2	65.9	+ 0.5%
Consumer electronics sub-market	10.9	10.7	+ 1.9%

Source: BITKOM

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

German broadband market

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

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

	2014e	2013	Change
Sales	7.65	7.58	+ 0.9%

Source: PricewaterhouseCoopers

German mobile internet market

All experts predict further dynamic growth for the mobile internet market, however. Following market growth of 5.8% to € 9.1 billion in 2013, the industry association BITKOM also expects mobile data services to grow by 5.5% to € 9.6 billion in 2014. This growth will be driven above all by favorable – and thus for the consumer attractive – prices, as well as by the boom in smartphones and tablet PCs and the respective applications (or apps). BITKOM forecasts further growth of 12.1% to 29.6 million sold smartphones in 2014 (following 26.4 million in 2013).

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

	2014e	2013	Change
Sales	9.6	9.1	+ 5.5%

Source: BITKOM / European Information Technology Observatory (EITO)

Cloud computing market

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

Market forecast: cloud computing (in $ billion)

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

Source: Gartner

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

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

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

Source: PricewaterhouseCoopers

Expectations for the company

Focus areas in fiscal year 2014
United Internet AG will maintain its policy of sustainable growth in future and continue to invest in new customers, new business fields, as well as in its continued internationalization.

In view of its product strategy based on transparency and flexibility, with innovative tariffs offering excellent value for money, United Internet believes it is well positioned in its Access segment. In the fiscal year 2014, contract and revenue growth in this segment is expected to result from the marketing of DSL connections and Mobile Internet products. In the field of DSL connections, we will focus in 2014 on the expansion of V-DSL coverage and the use of the new transmission technology "vectoring" (with speeds of up to 100 Mbit/s). For our Mobile Internet products, there will be new tariff offerings in the course of 2014 based of the pre-services of E-Plus.

With its strong and specialized brands, a steadily growing portfolio of cloud applications, and existing relations with millions of small businesses, freelancers and private users, United Internet is also well positioned in its Applications segment to utilize the opportunities offered by cloud computing. In 2014, the company will focus on further expansion in its current target markets with Business Applications products. Key areas are the marketing of new top-level domains (nTLDs) and our De-Mail business. In the case of Consumer Applications, the main focus is on 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, for which a TV campaign has been running since April 29, 2014.

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.

Forecast for fiscal year 2014
With the figures for customer contracts, sales and earnings achieved in the first quarter of 2014 and the investments already made, United Internet is well on track to meet its targets. The second quarter has started well, the management expects approx. 220,000 new customer contracts (approx. 180,000 Access, 40,000 Applications). Against this backdrop, the company can confirm its guidance for the full year 2014 and continues to expect the number of fee-based customer contracts to grow by over 800,000 with an increase in revenue of around 10%. Strong growth is also being planned for earnings: after start-up losses in new business fields of approx. € 40 million and advertising costs for the "E-Mail made in Germany" initiative of approx. € 10 million, EBITDA is expected to improve to around € 520 million (prior year: € 407.2 million). Earnings per share are likely to be between € 1.40 and € 1.50 (prior year: € 1.07).

Free cash flow (defined as net cash inflows from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment) is expected to easily exceed € 200 million once again in fiscal year 2014.

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

Management Board’s overall statement on the anticipated development

Despite the ongoing risks in respect of the macroeconomic and sector trends, the Management Board of United Internet AG is upbeat about the company’s prospects for the future. Thanks to a business model based predominantly on electronic subscriptions, United Internet believes it is stable enough to withstand cyclical influences. And with the investments made over the past few years in customer relationships, new business fields and internationalization, the company has laid a broad foundation for its planned future growth.

United Internet will continue to pursue its sustainable business policy in the coming years. Marketing and sales activities will focus mainly on Mobile Internet products in fiscal year 2014. In this business, the market shares in Germany are currently being allocated. United Internet aims to participate in the current market growth and achieve above-average growth. United Internet also plans to leverage the strong positioning of its DSL products and capture further market share.

In addition to the German access market, our international business with cloud applications also promises strong potential for the medium- and long-term growth of the company – thanks to the rising global demand from private users, freelancers, and small to mid-sized companies. In fiscal year 2014, the company will focus more on expanding business with existing customers. Following the sale of 90,000 nTLDs in the first three months of the year, the company is well on course to reach its targets for the full year (500,000).

Following a successful start to the year (also at the time of preparing this Management Report), the Management Board believes that the company is well on the way to reaching its forecasts for the full year 2014 presented in the table below.

Full-year 2014 forecast for United Internet AG

	Forecast Dec. 31, 2014	Status as of Dec. 31, 2013
Fee-based customer contracts (in million)	+ > 0.8	13.45
Sales (in € billion)	+ ~10% to > 2.9	2.656
EBITDA (in € million)	~520	407.2
EPS (in €)	1.40 - 1.50	1.07
Free cash flow[1] (in € million)	> 200	212.0

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

Forward-looking statements

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

Financial Statements

Balance Sheet

as of March 31, 2014 in €k

	March 31, 2014	December 31, 2013[1]
ASSETS		
Current assets		
Cash and cash equivalents	57,603	42,775
Trade accounts receivable	125,198	135,524
Inventories	40,051	44,388
Prepaid expenses	56,591	53,264
Other financial assets	20,452	18,664
Other non-financial assets	4,387	4,734
	304,282	299,349
Non-current assets		
Shares in associated companies	126,325	115,311
Other financial assets	51,186	47,555
Property, plant and equipment	112,205	116,175
Intangible assets	156,568	165,078
Goodwill	453,482	452,812
Prepaid expenses	5,802	7,256
Deferred tax asset	71,141	66,758
	976,709	970,945
Total assets	**1,280,991**	**1,270,294**

	March 31, 2014	December 31, 2013[1]
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Trade accounts payable	276,957	260,216
Liabilities due to banks	9,046	23,038
Advance payments received	11,637	11,719
Accrued taxes	31,662	22,245
Deferred revenue	197,146	183,697
Other accrued liabilities	4,653	4,672
Other financial liabilities	66,652	53,217
Other non-financial liabilities	26,658	44,868
	624,411	603,672
Non-current liabilities		
Liabilities due to banks	247,165	317,004
Deferred tax liabilities	25,325	25,427
Other financial liabilities	14,818	16,338
	287,308	358,769
Total liabilities	**911,719**	**962,441**
Equity		
Capital stock	194,000	194,000
Additional paid-in capital	28,278	27,702
Accumulated profit	163,264	104,819
Treasury stock	–5,178	–5,178
Revaluation reserves	12,447	9,074
Cash flow hedge reserve	–5,167	–5,376
Currency translation adjustment	–19,000	–19,698
Equity attributable to shareholders of the parent company	**368,644**	**305,343**
Non-controlling interests	628	2,510
Total equity	**369,272**	**307,853**
Total liabilities and equity	**1,280,991**	**1,270,294**

[1] adjusted – see Note 2

Net Income

from January 1 to March 31, 2014 in €k

	2014 January – March	2013[1] January – March
Sales	709,868	629,704
Cost of sales	–463,646	–413,155
Gross profit	**246,222**	**216,549**
Selling expenses	–124,696	–115,927
General and administrative expenses	–31,899	–28,495
Other operating income / expenses	2,516	–255
Amortization of assets resulting from business combinations	–2,407	–3,523
Operating result	**89,736**	**68,349**
Financial result	–2,218	–2,730
Results from associated companies	–1,362	–1,503
Pre-tax result	**86,156**	**64,116**
Income taxes	–26,257	–19,615
Net income before non-controlling interests	**59,899**	**44,501**
Attributabel to		
- non-controlling interests	19	192
- shareholders of United Internet AG	59,880	44,309

	2014 January – March	2013[1] January – March
Result per share of shareholders of United Internet AG (in €)		
- basic	0.31	0.23
- diluted	0.31	0.23
Weighted average shares (in million units)		
- basic	193.76	194.10
- diluted	195.96	196.01
Statement of comprehensive income		
Net income	59,899	44,501
Items that may be reclassified subsequently to profit or loss		
- Currency translation adjustment	698	–2,569
- Market value changes of held-for-sale financial instruments after taxes	3,373	–589
- Change in cash flow hedge reserve after taxes	209	831
Other result	4,280	–2,327
Total net income	**64,179**	**42,174**
Attributable to		
- non-controlling interests	19	192
- shareholders of United Internet AG	64,160	41,982

[1] adjusted – see Note 2

Cash Flow

from January 1 to March 31, 2014 in €k

	2014 January – March	2013[1] January – March
Cash flow from operating activities		
Net income	59,899	44,501
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of assets and property, plant and equipment	19,915	19,449
Amortization of intangible assets resulting from business combinations	2,407	3,523
Compensation expenses from employee stock option plans	576	763
Results of at-equity companies	1,362	1,503
Distributed profit of associated companies	0	110
Change in deferred taxes	–4,483	1,306
Other non-cash items	0	–1,672
Operative cash flow	**79,676**	**69,483**
Change in assets and liabilities		
Change in receivables and other assets	8,884	32,392
Change in inventories	4,336	–12,980
Change in deferred expenses	–1,873	–3,174
Change in trade accounts payable	16,687	–24,741
Change in advance payments received	–82	462
Change in other accrued liabilities	–19	65
Change in accrued taxes	9,417	2,801
Change in other liabilities	–4,744	16,081
Change in deferred income	13,273	6,154
Change in assets and liabilities, total	**45,879**	**17,060**
Cash flow from operating activities	**125,555**	**86,543**

	2014 January – March	2013[1] January – March
Cash flow from investing activities		
Capital expenditure for intangible assets and property, plant and equipment	–12,194	–8,989
Payments from disposals of intangible assets and property, plant and equipment	2,546	251
Reduction from disposal of deconsolidated companies	0	–193
Purchase of shares in associated companies	–12,134	0
Refunding from shares in associated companies	437	172
Investments in other financial assets	–40	–47
Payments of loans granted	–900	–900
Refunding from other financial assets	54	19
Cash flow from investment activities	**–22,231**	**–9,687**
Cash flow from financing activities		
Purchase of treasury stock	0	–5,685
Change in bank liabilities	–83,831	–21,207
Purchase of further shares in affiliated companies	–4,678	0
Cash flow from financing activities	**–88,509**	**–26,892**
Net increase/decrease in cash and cash equivalents	14,815	49,964
Cash and cash equivalents at beginning of fiscal year	42,775	42,648
Currency translation adjustments of cash and cash equivalents	13	–492
Cash and cash equivalents at end of fiscal year	**57,603**	**92,120**

[1] adjusted – see Note 2

Changes in Shareholders' Equity

from January 1 to March 31, 2014 in €k

	Capital stock		Additional paid-in capital	Accumulated profit	Treasury shares	
	Share	€k	€k	€k	Share	€k
Balance as of January 1, 2013	**215,000,000**	**215,000**	**25,468**	**227,012**	**20,662,202**	**–263,570**
Net income				44,309		
Other net income						
Total net income				**44,309**		
Purchase of treasury shares					337,798	–5,685
Cancellation of treasury shares	–21,000,000	–21,000		–248,255	–21,000,000	269,255
Employee stock ownership programme United Internet		763				
Change in amount of holdings						
Balance as of March 31, 2013	**194,000,000**	**194,763**	**25,468**	**23,066**	**0**	**0**
Balance as of January 1, 2014	**194,000,000**	**194,000**	**27,702**	**104,819**	**244,265**	**–5,178**
Net income				59,880		
Other net income						
Total net income				**59,880**		
Employee stock ownership programme United Internet			576			
Change in amount of holdings				–1,435		
Balance as of March 31, 2014	**194,000,000**	**194,000**	**28,278**	**163,264**	**244,265**	**–5,178**

Revaluation reserve	Cash flow hedge reserve	Currency translation difference	Equity attributable to shareholders of United Internet AG	Non-controlling interests	Total equity
€k	€k	€k	€k	€k	€k
9,621	**–7,942**	**–17,301**	**188,288**	**9,855**	**198,143**
			44,309	192	44,501
–589	831	–2,569	–2,327		–2,327
–589	**831**	**–2,569**	**41,982**	**192**	**42,174**
			–5,685		–5,685
			0		0
			763		763
			0	171	171
9,032	**–7,111**	**–19,870**	**225,348**	**10,218**	**235,566**
9,074	**–5,376**	**–19,698**	**305,343**	**2,510**	**307,853**
			59,880	19	59,899
3,373	209	698	4,280		4,280
3,373	**209**	**698**	**64,160**	**19**	**64,179**
			576		576
			–1,435	–1,901	–3,336
12,447	**–5,167**	**–19,000**	**368,644**	**628**	**369,272**

Notes

1. Information on the company

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

2. Significant accounting, valuation and consolidation principles

As was the case with the Consolidated Financial Statements as of December 31, 2013, the Interim Report of United Internet AG as of March 31, 2014 was prepared in compliance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU).

The Condensed Consolidated Interim Report for the period from January 1, 2014 to March 31, 2014 was prepared in accordance with IAS 34 *Interim Financial Reporting*.

A condensed reporting format was chosen for the presentation of this Consolidated Interim Report, as compared with the Consolidated Financial Statements, and is thus to be read in conjunction with the Consolidated Financial Statements as of December 31, 2013. With the exception of the mandatory new standards described below, the accounting and valuation principles applied in the Condensed Consolidated Interim Report generally comply with the methods applied in the previous year.

Mandatory adoption of new accounting standards

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

Other new standards in the “package” – IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 *Separate Financial Statements*, and IAS 28 *Investments in Associates and Joint Ventures* – had no material impact on the Consolidated Interim Financial Statements of the Company.

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

Use of estimates and assumptions

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

Miscellaneous

The Consolidated Interim Report includes all subsidiaries and associated companies.

The following companies were acquired and renamed in the reporting period 2014:
- 1&1 Telecommunication Service SE, Montabaur (formerly Atrium 64. Europäische VV SE, Berlin)
- Atrium 61. Europäische VV SE, Munich

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

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

3. Investments in companies

On January 28, 2014, United Internet acquired 25.1% of shares in ePages GmbH, a supplier of online shop software. The purchase price amounted to € 2.8 million. This company is included in the Consolidated Financial Statements of United Internet AG as an associated company.

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 – March 2014	Access segment €k	Applications segment €k	Head Office / Investments €k	Reconciliation €k	United Internet Group €k
Total revenues	487,167	233,591	1,637	–	–
- thereof internal revenues	9,937	1,012	1,578	–	–
External revenues	477,230	232,579	59	–	709,868
- thereof domestic	477,230	147,240	59	–	624,529
- thereof non-domestic	0	85,339	0	–	85,339
EBITDA	55,271	58,573	–1,786	0	112,058
EBIT	47,639	43,928	–1,831	0	89,736
Financial result			–2,391	173	–2,218
Result from at-equity companies			–1,394	32	–1,362
EBT			–5,616	91,772	86,156
Tax expense				–26,257	–26,257
Net income					**59,899**
Investments in intangible assets, property, plant and equipment	616	11,414	163	–	12,193
Amortization/depreciation	7,632	14,645	45	–	22,322
- thereof intangible assets, property, plant and equipment	7,632	12,238	45	–	19,915
- thereof assets capitalized during company acquisitions	0	2,407	0	–	2,407
Number of employees	2,078	4,799	36	–	6,913
- thereof domestic	1,983	3,273	36	–	5,292
- thereof non-domestic	95	1,526	0	–	1,621

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

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

Segment reporting of United Internet AG in the reporting period of 2014 and 2013 was as is shown in the tables below:

January – March 2013	**Access segment €k**	**Applications segment €k**	**Head Office / Investments €k**	**Reconciliation €k**	**United Internet Group €k**
Total revenues	421,956	208,908	1,415	–	–
- thereof internal revenues	233	992	1,350	–	–
External revenues	421,723	207,916	65	–	629,704
- thereof domestic	421,723	138,520	65	–	560,308
- thereof non-domestic	0	69,396	0	–	69,396
EBITDA	54,795	38,501	–1,975	0	91,321
EBIT	47,159	23,203	–2,013	0	68,349
Financial result			–2,553	–177	–2,730
Result from at-equity companies			–1,588	85	–1,503
EBT			–6,154	70,270	64,116
Tax expense				–19,615	–19,615
Net income					**44,501**
Investments in intangible assets, property, plant and equipment	534	8,447	8	–	8,989
Amortization/depreciation	7,636	15,298	38	–	22,972
- thereof intangible assets, property, plant and equipment	7,636	11,775	38	–	19,449
- thereof assets capitalized during company acquisitions	0	3,523	0	–	3,523
Number of employees	2,233	4,100	28	–	6,361
- thereof domestic	2,158	2,811	28	–	4,997
- thereof non-domestic	75	1,289	0	–	1,364

5. Personnel expenses

Personnel expenses amounted to € 80,919k in the reporting period of 2014 (prior year: € 74,121k). At the end of March 2014, United Internet employed a total of 6,913 people, of which 1,621 were employed outside Germany. The number of employees at the end of March 2013 amounted to 6,361, of which 1,364 were employed outside Germany.

6. Depreciation and amortization

Depreciation and amortization of intangible assets and property, plant and equipment amounted to € 19,915k (prior year: € 19,449k).

Amortization of capitalized intangible assets resulting from business combinations amounted to € 2,407k (prior year: € 3,523k).

Total depreciation and amortization of intangible assets and property, plant and equipment thus amounted to € 22,322k in the reporting period of 2014 (prior year: € 22,972k).

Explanations of balance sheet items

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

7. Shares in associated companies

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

	2014 €k
Carrying amount at the beginning of the fiscal year	115,311
Additions	12,135
Adjustments	
- Dividends	0
- Shares in result	–1,362
- Other	679
Disposals	–438
	126,325

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

Other adjustments of € 679k 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 Open Exchange GmbH, Nuremberg, added in 2013, a preliminary price allocation was employed.

8. Other financial assets

The development of these shares was as follows:

	Jan. 01, 2014 €k	Additions €k	Amortization of revaluation reserve Recycling €k	Change €k	Reclassification €k	Disposals €k	March 31, 2013 €k
Goldbach shares	13,530			1,246			14,776
Hi-media shares	8,854			2,178			11,032
Afilias shares	8,720						8,720
Others	16,451	940			–679	–54	16,658
	47,555	**940**	**0**	**3,424**	**–679**	**–54**	**51,186**

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

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

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

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

A total of € 12,194k (prior year: € 8,989k) was invested in property, plant and equipment and intangible assets during the interim reporting period. Investments focused mainly on equipment and software.

Goodwill of € 453,482k disclosed as of March 31, 2014 consists solely of assets belonging to the “Applications” segment.

10. Non-current prepaid expenses

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

11. Liabilities due to banks

Bank liabilities result mainly from a revolving syndicated loan of € 600 million. As of March 31, 2014, € 250 million of this credit line has been utilized.

12. Other current financial liabilities

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

13. Other non-current financial liabilities

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

14. Capital stock / treasury shares

As of March 31, 2014, the fully paid-in capital stock amounted to € 194,000,000 (unchanged from December 31, 2013) divided into 194,000,000 registered no-par shares with a theoretical share in the capital stock of € 1 each.

As of March 31, 2014, the Company held 244,265 treasury shares.

15. Reserves

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

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

Other items

16. Employee stock ownership plans

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

	United Internet AG	
	SAR	Average strike price (€)
Outstanding as of December 31, 2013	4,059,000	13.88
Issued	200,000	32.79
Issued	60,000	30.11
Outstanding as of March 31, 2014	4,319,000	14.98

17. Additional details on financial instruments

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

The following table presents the carrying values of each category of financial assets and liabilities as of March 31, 2014:

	Valuation category acc. to IAS 39 €k	Carrying value on March 31, 2013 €k	Valuation acc. to IAS 39: Amortized cost €k	Valuation acc. to IAS 39: Fair value not through profit or loss €k	Valuation acc. to IAS 39: Fair value through profit or loss €k	Valuation acc. to IAS 17 €k	Fair value on March 31. 2014 T€
Financial assets							
Cash and cash equivalents	lar	57,603	57,603				57,603
Trade accounts receivable	lar	125,198	125,198				125,198
Other current financial assets	lar						
Purchase price receivable	lar	10,181	10,181				10,181
Others	lar	10,271	10,271				10,271
Other non-current financial assets	lar/afs						
Investments	afs	34,528	8,720	25,808			34,528
Others	lar	16,658	16,658				22,013
Financial liabilities							
Trade accounts payable	flac	–276,957	–276,957				–276,957
Liabilities due to banks	flac	–256,211	–256,211				–256,211
Other financial liabilities	flac/hd/n/a						
Interest swaps - hedge accounting	hd	–7,520		–7,304	–216		–7,520
Finance leases	n/a	–2,109				–2,109	–2,109
Others	flac	–72,796	–72,796				–72,796
Of which aggregated acc. to valuation categories:							
Loans and receivables (lar)	lar	219,911	219,911	0	0	0	225,266
Available-for-sale (afs)	afs	34,528	8,720	25,808	0	0	34,528
Financial liabilities measured at amortised cost (flac)	flac	–605,964	–605,964	0	0	0	–605,964
Hedging derivatives (hd) (negative market value)	hd	–7,520	0	–7,304	–216	0	–7,520
Finance leases	n/a	–2,109	0	0	0	–2,109	–2,109

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

The fair value of other non-current financial assets differs from the carrying amount as prorated loss assumptions from at-equity accounting were allocated to existing loans.

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

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

Compared to December 31, 2013, there were no significant changes in the composition of financial instruments nor the methods and assumptions applied to measure fair value.

Hierarchy of assets and liabilities measured at fair value:

	As of March 31, 2014 €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	25,808	25,808		22,384	22,384	
Financial liabilities at fair value not through profit or loss						
Interest rate swap	7,520		7,520	7,915		7,915

The hierarchy for determining and disclosing the fair value of financial instruments by valuation technique did not change from that used as of December 31, 2013.

18. Transactions with related parties

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

There were no changes to the circle of related parties as compared with the consolidated financial statements as at December 31, 2013.

The number of shares and subscription rights in United Internet AG held directly or indirectly by members of the Management Board and Supervisory Board as of March 31, 2014 is shown in the following table:

	March 31, 2014	
	Shares (units)	Subscription rights (units)
Executive Board		
Ralph Dommermuth	82,000,000	–
Norbert Lang	625,000	200,000
Robert Hoffmann	29,405	1,375,000
Total	**82,654,405**	**1,575,000**
Supervisory Board		
Kurt Dobitsch	–	–
Kai-Uwe Ricke	–	–
Michael Scheeren	500,000	–
Total	**500,000**	**–**

United Internet's premises in Montabaur and Karlsruhe are leased from Mr. Ralph Dommermuth. The resulting rent expenses are customary and amounted to € 1,617k in the reporting period of 2014 (prior year: € 1,424k).

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

No significant transactions took place.

19. Subsequent events

There were no significant events subsequent to the reporting period which may have resulted in a different representation of the Company's financial position and performance.

Montabaur, May 20, 2014

The Management Board

Ralph Dommermuth   Robert Hoffmann   Norbert Lang

Income Statement

Quarterly development in € million

	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q1 2013
Sales	653.3	672.1	700.6	709.9	629.7
Cost of sales	–437.3	–442.2	–448.5	–463.7	–413.2
Gross profit	**216.0**	**229.9**	**252.1**	**246.2**	**216.5**
Selling expenses	–123.9	–111.8	–116.8	–124.7	–115.9
General and administrative expenses	–27.7	–31.0	–33.3	–31.9	–28.5
Other operating income / expense	0.1	–2.4	4.0	2.5	–0.3
Amortization of assets resulting from business combinations	–3.4	–3.5	–4.1	–2.4	–3.5
Amortization of goodwill	0.0	0.0	–0.3	0.0	0.0
Operating result	**61.1**	**81.2**	**101.6**	**89.7**	**68.3**
Financial result	–2.5	–2.5	–3.5	–2.2	–2.7
Result from associated companies	–1.3	–1.7	–0.2	–1.3	–1.5
Pre-tax result	**57.3**	**77.0**	**97.9**	**86.2**	**64.1**
Income taxes	–18.8	–26.4	–24.6	–26.4	–19.6
Net income before non-controlling interests	**38.5**	**50.6**	**73.3**	**59.8**	**44.5**
Attributable to					
- non-controlling interests	0.1	0.1	0.1	0.0	0.2
- shareholders of United Internet AG	38.4	50.5	73.2	59.8	44.3
Result per share of shareholders of United Internet AG (in €)					
- basic	0.20	0.26	0.38	0.31	0.23
- diluted	0.19	0.26	0.38	0.31	0.23

Financial calendar

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

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This report is available in German and English. Both versions can be downloaded from www.united-internet.com. In all cases of doubt, the German version shall prevail.

Possible addition differences due to rounding effects.

Disclaimer
This report contains certain forward-looking statements which reflect the current views of United Internet AG's management with regard to future events. These forward looking statements are based on our currently valid plans, estimates and expectations. The forward-looking statements made in this report are only based on those facts valid at the time when the statements were made. Such statements are subject to certain risks and uncertainties, as well as other factors which United Internet often cannot influence but which might cause our actual results to be materially different from any future results expressed or implied by these statements. Such risks, uncertainties and other factors are described in detail in the Risk Report section of the Annual Reports of United Internet AG. United Internet does not intend to revise or update any forward-looking statements set out in this report.

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