6-Month Report

2014

united internet

Selected key figures

	2014 Jan. – June	2013 Jan. – June	Change
Net income (in € million)			
Sales	1,433.6	1,283.0	+ 11.7%
EBITDA	237.6	175.1	+ 35.7%
EBIT	193.5	129.4	+ 49.5%
EBT	186.9	121.4	+ 54.0%
EPS (in €)	0.66	0.43	+ 53.5%
Balance sheet (in € million)			
Current assets	332.1	286.9	+ 15.8%
Non-current assets	1,010.6	813.3	+ 24.3%
Equity	350.3	194.3	+ 80.3%
Equity ratio	26.1%	17.7%	
Total assets	1,342.6	1,100.2	+ 22.0%
Cash flow (in € million)			
Operative cash flow	165.6	118.5	+ 39.7%
Cash flow from operating activities	175.0	109.4	+ 60.0%
Cash flow from investing activities	–41.6	–26.5	
Free cash flow[1]	154.2	85.9	+79.5%
Employees			
Headcount at the end of June[2]	6,700	6,329	+ 5.9%
of which “domestic”	5,107	4,954	+ 3.1%
of which “foreign”	1,593	1,375	+ 15.9%
Share (in €)			
Share price at the end of June (Xetra)	32.18	21.69	+ 48.4%
Customer contracts (in million)			
Access contracts, total (in million)	5.91	5.17	+ 0.74
of which Mobile Internet	2.23	1.74	+ 0.49
of which DSL complete (ULL)	3.34	2.99	+ 0.35
of which T-DSL / R-DSL	0.34	0.44	– 0.10
Business Applications, total contracts	5.77	5.38	+ 0.39
of which “domestic”	2.41	2.33	+ 0.08
of which “foreign”	3.36	3.05	+ 0.31
Consumer Applications, total accounts	33.63	33.18	+ 0.45
of which with Premium Mail subscription	1.85	1.89	– 0.04
of which with Value-Added subscription	0.34	0.26	+ 0.08
of which with De-Mail address / identification	0.63 / 0.30	0.28 / 0.10	+ 0.35 / 0.20

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

2 See Personnel Report on page 21

Content

Dear shareholders, employees and business associates,

United Internet AG can look back on a successful first six months of 2014. Once again we achieved strong improvements in sales, the number of customer contracts and our key earnings ratios. At the same time, we continued to invest heavily in new customer acquisition, the expansion of our existing customer relationships, and new business fields – thus establishing the basis for our future growth.

Specifically, we succeeded in raising consolidated sales to a new record of € 1.434 billion in the first half of 2014 – representing growth of 11.7% over the first six months of 2013.

There was also a further increase in customer figures with the addition of 420,000 contracts in the first half of 2014. We now hold a total of 13.87 million customer contracts.

This growth was driven in particular by our Access business where we gained 250,000 Mobile Internet contracts and 120,000 DSL contracts. In this segment, we ran a marketing campaign for our 1&1 DSL premium tariffs in the first half 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 six months of 2014, around € 20.6 million was expensed in total for this campaign, which has now ended. These investments will already have a positive impact on segment earnings in the second half 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 half of 2014 (+50,000 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 (+9.8%), due for example to the first-time sales of 170,000 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 / 1&1 MyWebsite) and for our “E-Mail made in Germany” initiative were reduced to € 23,8 million in the first six months of 2014 (prior year: € 61.8 million).

At Group level, earnings before interest, taxes, depreciation and amortization (EBITDA) rose by 35.7%, from € 175.1 million to € 237.6 million, and earnings before interest and taxes (EBIT) by 49.5%, from € 129.4 million to € 93.5 million. Earnings per share (EPS) improved by 53.5%, from € 0.43 in the previous year to € 0.66.

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 € 154.2 million, this figure was well above the prior-year level (€ 85.9 million).

On the back of the company's positive development, our share also continued its good performance and closed the first half-year 2014 at € 32.18. This represents growth of 4.1% over December 31, 2013 and 48.4% over June 30, 2013.

The key figures in customer contracts, sales, and earnings we reached in the first six months of 2014, as well as the investments already made, mean we are well on course to meet our targets. Against this backdrop, we are raising our guidance for the full year 2014. We now expect the number of fee-based customer contracts to grow by around 900,000 (previously: >800,000). Despite the related increase in costs for customer acquisition, our earnings guidance remains unchanged: 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). As previously announced, sales are expected to rise by around 10%.

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 company's successful performance in the first half of 2014, we would like to express our particular gratitude to all employees for their dedicated efforts as well as to our shareholders and customers for the trust they continue to place in United Internet AG.

Montabaur, August 14, 2014

Ralph Dommermuth

Group management report for the first 6 months of 2014

Principles of the Group

Business model

Founded in 1988 and headquartered in Montabaur, Germany, United Internet AG is Europe's leading internet specialist with 13.87 million fee-based customer contracts and 31.44 million ad-financed free accounts around the world.

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

The **Access segment** comprises the company's fee-based landline and mobile access products, including the respective applications (such as home networks, online storage, telephony or video-on-demand). United Internet operates exclusively in Germany in this segment, where it is one of the leading providers. The company remains independent of network providers by purchasing standardized network services from various pre-service providers. These are enhanced with end-user devices, self-developed applications and services from the company's own "Internet 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.

Group structure, strategy and control

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

BUSINESS MODEL

Research and development

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

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

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

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

General economic, sector and legal conditions

Macroeconomic development

The crisis between Russia and Ukraine, as well as the Middle East conflict, are placing an increasing burden on global economic growth. In its latest report (World Economic Outlook, update July 2014), the International Monetary Fund (IMF) warned that the geopolitical risks had increased compared to spring. The IMF's experts are concerned in particular that oil prices might rise sharply in the wake of the Middle East conflict and dampen global economic growth. Against this backdrop, the IMF has reduced its outlook for the **global economy** to growth of 3.4% – 0.3 percentage points lower than at the beginning of the year.

The IMF is significantly less confident about the **US economy** in particular and now expects growth of just 1.7% – and thus 1.1 percentage points lower than at the beginning of the year. This strong downgrade, however, depends less on current geopolitical risks and more on the poor performance of the US economy in the first quarter of 2014 as a result of the harsh winter. While the forecast for **Canada** remained unchanged, the IMF has also lowered its forecast for **Mexico** strongly by 0.6 percentage points to 2.4%. Consequently, United Internet's target markets in North America as a whole have performed worse than expected.

Economic development in the **UK** exceeded expectations and consequently the IMF raised its forecast by 0.7 percentage points to 3.2%. The IMF continues to forecast economic growth of 1.1% for the **eurozone**. The economic trend varies, however, in United Internet's main target markets: whereas the IMF downgraded its forecast for **France** (-0.2 percentage points to 0.7%) and **Italy** (-0.3 percentage points to 0.3%), the growth outlook for **Spain** was raised by 0.6 percentage points to 1.2%. **Germany** is one of the few countries that have pleasantly surprised the IMF's economists so far this year. According to the IMF, growth in United Internet's most important market (sales share in 2013: 88.8%) is expected to reach 1.9% – or 0.4 percentage points more than forecast at the beginning of the year.

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

	January forecast	April forecast	July forecast	Change on January
World	3.7%	3.6%	3.4%	- 0.3 %-points
USA	2.8%	2.8%	1.7%	- 1.1 %-points
Canada	2.2%	2.3%	2.2%	+/- 0 %-points
Mexico	3.0%	3.0%	2.4%	- 0.6 %-points
Eurozone	1.1%	1.2%	1.1%	+/- 0 %-points
Germany	1.5%	1.7%	1.9%	+ 0.4 %-points
France	0.9%	1.0%	0.7%	- 0.2 %-points
Italy	0.6%	0.6%	0.3%	- 0.3 %-points
Spain	0.6%	0.9%	1.2%	+ 0.6 %-points
UK	2.5%	2.9%	3.2%	+ 0.7 %-points

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

Germany's strong progress in the first six months of 2014 also confirms the sentiment barometer (adjusted for price, seasonal and calendar effects) of the German Institute for Economic Research (DIW Berlin), which recorded an increase in gross domestic product (GDP) of 0.8% for the first quarter of 2014. Although the DIW expects growth of just 0.1% for the second quarter, it notes that growth was affected by special factors in the second quarter: whereas the first quarter was unusually strong – due in part to mild weather conditions – industrial output was hampered in the second quarter by a large number of bridging days (May).

All in all, Germany's economic recovery continued in the first six months of 2014. According to the DIW, the main reasons are a sharp rise in construction at the beginning of the year due to the mild winter, noticeable wage increases, and the related increase in consumer spending. The DIW forecasts a further moderate upward trend for the German economy in the remaining months of the year.

GDP development in Germany compared to previous quarter

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014
GDP	+ 0.0%	+ 0.7%	+ 0.3%	+ 0.4%	+ 0.8%	+ 0.1%

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

Sector development

Germany's high-tech industry can look back on a successful first six months of 2014. This is the finding of a recent survey conducted by the sector association BITKOM presented in Berlin on July 1, 2014. Around 74% of all IT and telecommunication (ITC) companies interviewed reported increased revenues, while 13% suffered falling sales. IT service providers and software companies enjoyed particular success: over 80% of them reported increased sales. Companies are equally upbeat about their prospects for 2014 as a whole: 81% of them expect rising sales in the coming six months, whereas just 8% anticipate a decline in revenue.

Legal conditions / significant events

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

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

Business development of the Group

Development of the Access segment

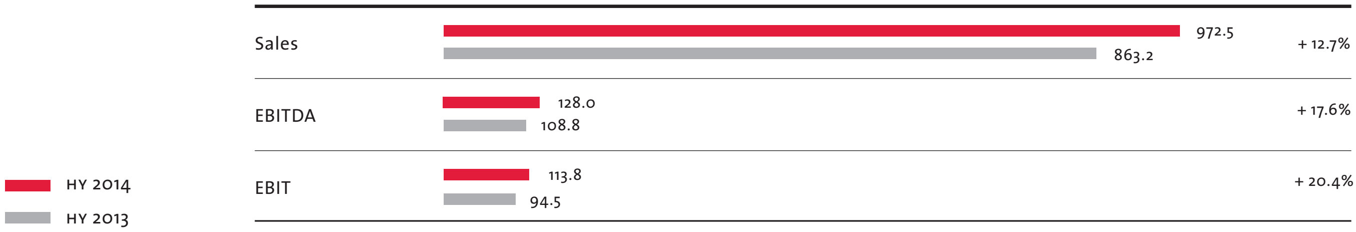
As a result of dynamic customer growth, **sales** of the Access segment rose by 12.7% to € 972.5 million in the first six months of 2014.

In this segment, a **marketing campaign** for 1&1 DSL premium tariffs was held during the first six months 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. € 20.6 million were expensed in the first six months of 2014 for the campaign, which has now ended. These investments will already have a positive impact on segment earnings in the second half of 2014.

All in all, **EBITDA** and **EBIT** were up by 17.6% and 20.4% on the previous year at € 128.0 million (prior year: € 108.8 million) and € 113.8 million (prior year: € 94.5 million), respectively.

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

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



Quarterly development (in € million)

	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q2 2013	Change
Sales	458.7	466.4	477.2	495.3	441.5	+ 12.2%
EBITDA	67.1	69.5	55.3	72.7	54.0	+ 34.6%
EBIT	60.2	62.7	47.6	66.2	47.3	+ 40.0%

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

	HY 2010	HY 2011	HY 2012	HY 2013	HY 2014
Sales	602.2	657.2	764.0	863.2	972.5
EBITDA	66.2	65.5	88.4	108.8	128.0
EBITDA margin	11.0%	10.0%	11.6%	12.6%	13.2%
EBIT	53.2	51.0	75.0	94.5	113.8
EBIT margin	8.8%	7.8%	9.8%	10.9%	11.7%

The number of fee-based **Access contracts** rose by 370,000 to 5.91 million contracts in the first six months of 2014. The segment added 250,000 new customer contracts in its Mobile Internet business and thus raised the number of customers to 2.23 million. There was also growth in the important complete DSL contract business with the addition of 160,000 customer contracts to reach a total of 3.34 million. As expected, the number of customer contracts for those business models being phased out (T-DSL and R-DSL) continued to fall (-40,000 contracts). The total number of DSL contracts therefore grew by a further 120,000 contracts to 3.68 million in the first half of 2014.

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

	June 30, 2014	Dec. 31, 2013	Change
Access, total contracts	5.91	5.54	+ 0.37
of which Mobile Internet	2.23	1.98	+ 0.25
of which DSL complete (ULL)	3.34	3.18	+ 0.16
of which T-DSL / R-DSL	0.34	0.38	– 0.04

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

	June 30, 2014	March 31, 2014	Change
Access, total contracts	5.91	5.72	+ 0.19
of which Mobile Internet	2.23	2.09	+ 0.14
of which DSL complete (ULL)	3.34	3.27	+ 0.07
of which T-DSL / R-DSL	0.34	0.36	– 0.02

Product highlights in the first six months of 2014

In the period under review, the United Internet brand 1&1 expanded its Mobile Internet tariff portfolio for notebook and tablet users, integrated an additional cellular network with the "E-Netz", and once again strongly increased its access speeds.

- 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.

- As of July 1, 2014, 1&1 no longer only offers its Mobile Internet tariffs for Germany’s “D Network” cellular phone network but also for the **“E Network”**. This gives customers the option of selecting the best network for them. The “1&1 All-Net-Flat” tariffs for smartphones, the “1&1 Data Flat” tariffs for tablets and notebooks, and the complete hardware range are available for both networks. In addition, the 1&1 cellular tariffs all have speeds up to 42.2 Mbit/s as of July 1. In selected regions, the “E Network” also allows speeds of up to 50 Mbit/s thanks to **LTE technology**.

Development of the Applications segment

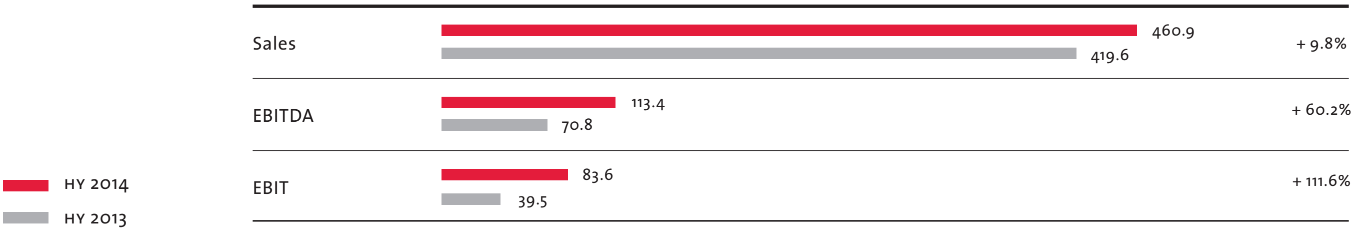
In the first six months of 2014, **sales** of the Applications segment rose by 9.8% to € 460.9 million. Sales abroad grew by as much as 21.0% to € 169.9 million.

Due to increasing contribution margins and reduced advertising spending, **start-up losses** in the new business fields (De-Mail and 1&1 MyWebsite) and for the “E-Mail made in Germany” initiative were reduced to € 23.8 million in the first six months of 2014 (prior year: € 61.8 million).

This was one of the reasons why earnings easily outpaced sales growth. **EBITDA** was increased by 60.2%, from € 70.8 million last year to € 113.4 million, while **EBIT** improved by 111.6%, from € 39.5 million in the previous year to € 83.6 million.

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

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



Quarterly development (in € million)

	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q2 2013	Change
Sales	213.4	234.0	232.6	228.3	211.7	+ 7.8%
EBITDA	41.0	56.9	58.6	54.8	32.3	+ 69.7%
EBIT	23.7	38.9	43.9	39.7	16.4	+ 142.1%

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

	HY 2010	HY 2011	HY 2012	HY 2013	HY 2014
Sales	328.2	352.0	399.3	419.6	460.9
Start-up losses[1]	8.7	5.5	72.7	61.8	23.8
EBITDA	118.9	111.4	58.6	70.8	113.4
EBITDA margin	36.2%	31.6%	14.7%	16.9%	24.6%
EBIT[2]	92.3	85.1	27.2	39.5	83.6
EBIT margin	28.1%	24.2%	6.8%	9.4%	18.1%

[1] Start-up losses = EBITDA-effective start-up losses in new business fields and (since 2014) for "E-Mail made in Germany"

[2] 2012 without special items (Sedo impairments: EBIT effect: € -46.3 million)

In the Applications segment, United Internet made changes to its sales and marketing measures – as previously announced – during the reporting period of 2014. As part of this change, there was less focus on new customer acquisition in the year so far and more on the sale of additional features (e.g. further domains, e-shops and business apps) to existing customers. The number of fee-based **Business Applications contracts** rose by 40,000 contracts to 5.77 million in the second quarter (following unchanged customer figures in the first quarter). Contracts in Germany increased by 40,000 to 2.41 million, while contracts abroad were unchanged at 3.36 million. The number of 1&1 MyWebsite contracts rose by 10,000 to 0.52 million. The successful expansion of business with existing customers in the first six months of 2014 is clearly illustrated by the strong revenue growth of this segment (+9.8%), which was also due for example to the first-time sale of around 170,000 nTLDs.

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

	June 30, 2014	Dec. 31, 2013	Change
Business Applications, total contracts	5.77	5.73	+ 0.04
of which "domestic"	2.41	2.37	+ 0.04
of which "foreign"	3.36	3.36	+/– 0

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

	June 30, 2014	March 31, 2014	Change
Business Applications, total contracts	5.77	5.73	+ 0.04
of which "domestic"	2.41	2.38	+ 0.03
of which "foreign"	3.36	3.35	+ 0.01

The number of **Consumer Accounts** declined by 60,000 to 33.63 million in the first half of 2014, due in particular to the usual seasonal fluctuations in the number of active free accounts. Fee-based accounts with Premium Mail subscriptions decreased by 20,000 to 1.85 million. This was brought about by the expanded scope of services provided by competing and ad-financed free accounts. By contrast, fee-based accounts with Value Added subscriptions rose by 30,000 to 340,000. As a result, fee-based Consumer Accounts rose in total by 10,000 contracts to 2.19 million in the first six months of 2014. Following the accreditation received on March 5, 2013, a total of 630,000 De-Mail usage contracts were completed as of June 30, 2014 – of which 300,000 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 six months of 2014 (in million)

	June 30, 2014	Dec. 31, 2013	Change
Consumer Applications, total accounts	33.63	33.69	– 0.06
of which with Premium Mail subscription	1.85	1.87	– 0.02
of which with Value-Added subscription	0.34	0.31	+ 0.03
of which with De-Mail address / identification	0.63 / 0.30	0.49 / 0.21	+ 0.14 / 0.09

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

	June 30, 2014	March 31, 2014	Change
Consumer Applications, total accounts	33.63	33.84	– 0.21
of which with Premium Mail subscription	1.85	1.86	– 0.01
of which with Value-Added subscription	0.34	0.33	+ 0.01
of which with De-Mail address / identification	0.63 / 0.30	0.59 / 0.25	+ 0.04 / 0.05

Product highlights in the first six months of 2014

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

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

- In March 2014, 1&1 presented a **new shop software** generation. 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 online success.

- Also in March 2014, GMX and WEB.DE 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.

- Within the **"E-Mail made in Germany"** alliance, only SSL keys certified in Germany are now used and all transmission paths have been fully encrypted since April 29, 2014.

- As of May 2014, 1&1 offers a new service for its 1&1 MyWebsite packages. **1&1 MyWebsite by Experts** is targeted at all commercial users who would like a professionally designed website but have no time to set up and maintain their content. From € 49.99 per month, 1&1's experts take over the complete production, administration and marketing of the website and help generate traffic.

Significant changes in investments

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 25.1% in the e-shop specialist ePages in the course of a capital increase. Based in Hamburg, Germany, **ePages GmbH** is Europe's market leader in online shop software for small and mid-size companies with 80,000 customers. The cloud solution of ePages enables merchants with no prior experience to create professional online shops. The solutions are suitable for a variety of company sizes and are currently marketed via 100 partner companies (e.g. hosting providers, telecommunication companies, business directories etc.). This enables partners to tap new e-business revenue streams without having to develop their own 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.

On April 17, 2014, United Internet AG announced that it had acquired – via United Internet Ventures AG – a stake of 25% in **favor.it labs GmbH**, 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 signed a long-term cooperation agreement with Uberall to use its solutions. As part of this cooperation, 1&1 uses Uberall's cloud technology which offers all online listing functions freelancers and SMEs need for successful online operations.

Share and dividend

With growth of 4.1% to € 32.18 as of June 30, 2014 (December 31, 2013: € 30.92), United Internet's **share price** continued to rise in the first six months of 2014. Compared to June 30, 2013 (€ 21.69), the share grew by 48.4%.

Share development

	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014
Closing price (Xetra)	€ 9.03	€ 14.50	€ 13.55	€ 21.69	€ 32.18
Number of shares	240 million	240 million	215 million	194 million	194 million
Market value	€ 2.17 billion	€ 3.48 billion	€ 2.91 billion	€ 4.21 billion	€ 6.24 billion

The company's Management Board resolved on June 13, 2014 to launch a **new share buyback program**. In the course of this new share buyback program, up to 2,000,000 company shares (corresponding to approx. 1.03% of capital stock) are to be bought back via the stock exchange. The resolution follows the authorization of the Annual Shareholders' Meeting of May 22, 2014 to buy back treasury shares representing up to 10% of the company's capital stock. The authorization was issued for the period up to September 22, 2017. At the end of the reporting period on June 30, 2014, United Internet held 557,077 treasury shares, corresponding to around 0.29 % of capital stock.

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

Dividend development for each fiscal year

	For 2010	For 2011	For 2012	For 2013
Dividend per share (in €)	0.20	0.30	0.30	0.40
Dividend payment (in € million)	42.0	58.1	58.0	77.3
Payout ratio	32.4%	35.8%	53.6%	37.3%
Payout ratio without special items [1]	32.4%	35.8%	37.5%	37.3%
Dividend yield [2]	1.4%	2.2%	1.4%	1.2%

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

Position of the Group

Earnings position

United Internet AG can look back on a successful first half of its fiscal year 2014. Consolidated **sales** grew by 11.7% in the reporting period, from € 1,283.0 million in the previous year to € 1,433.6 million. Sales in the Access segment improved by 12.7%, from € 863.2 million to € 972.5 million, and in the Applications segment by 9.8%, from € 419.6 million to € 460.9 million. **Foreign sales** (exclusively in the Applications segment) were increased by 21.0%, from € 140.4 million to € 169.9 million.

In the first six months of 2014, United Internet once again invested heavily in new customer relationships (especially in the Access segment) and the expansion of existing customer relationships. The number of **fee-based customer contracts** was increased by 420,000 to a total of 13.87 million. All **customer acquisition costs** continued to be charged directly as expenses.

Gross margin improved from 33.7% in the prior-year period to 34.1% in the first half of 2014. As a result of increased sales and the slight improvement in gross margin, **gross profit** rose correspondingly by 13.1% – from € 432.5 million in the previous year to € 489.3 million.

Due in particular to reduced advertising spending in new business fields, **sales and marketing expenses** fell from € 239.8 million (18.7% of sales) in the previous year to € 227.8 million (15.9% of sales). **Administrative expenses** increased slightly faster than sales from € 56.2 million (4.4% of sales) in the previous year to € 64.8 million (4.5% of sales).

Development of key cost items (in € million)

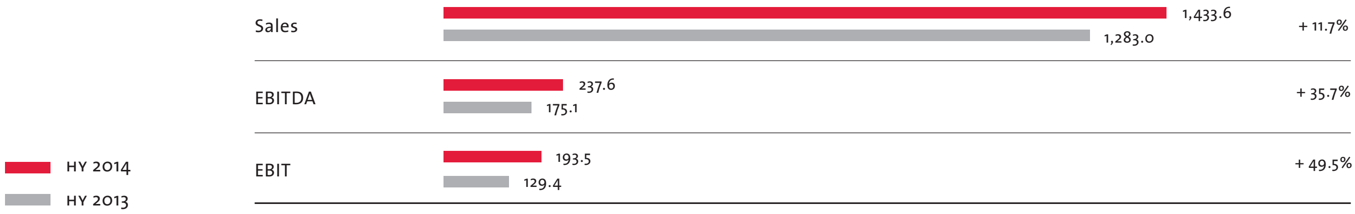
	HY 2010	HY 2011	HY 2012	HY 2013	HY 2014
Cost of sales	584.6	674.3	771.9	850.5	944.2
Cost of sales ratio	62.8%	66.8%	66.3%	66.3%	65.9%
Gross margin	37.2%	33.2%	33.7%	33.7%	34.1%
Selling expenses	141.7	150.4	232.2	239.8	227.8
Selling expenses ratio	15.2%	14.9%	20.0%	18.7%	15.9%
Administrative expenses	45.0	46.4	52.9	56.2	64.8
Administrative expenses ratio	4.8%	4.6%	4.5%	4.4%	4.5%

In the Access segment, a **marketing campaign** for 1&1 DSL premium tariffs was conducted in the first six months 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 six months of 2014, around € 20.6 million was expensed in total for this campaign, which has now ended. These investments will already have a positive impact on segment earnings in the second half of 2014.

As a result of increasing contribution margins and reduced advertising spending, start-up losses in the new business fields (De-Mail / 1&1 MyWebsite) and for the “E-Mail made in Germany” initiative of the Applications segment were reduced to € 23,8 million in the first six months of 2014 (prior year: € 61.8 million).

All in all, **EBITDA** rose by 35.7% from € 175.1 million last year to € 237.6 million, **EBIT** by 49.5% from € 129.4 million to € 193.5 million, and **EBT** by 54.0% from € 121.4 million to € 186.9 million. **EPS** improved by 53.5% from € 0.43 to € 0.66.

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



Quarterly development (in € million)

	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q2 2013	Change
Sales	672.1	700.6	709.9	723.7	653.3	+ 10.8%
EBITDA	105.4	126.7	112.1	125.5	83.8	+ 49.8%
EBIT	81.2	101.6	89.7	103.8	61.1	+ 69.9%

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

	HY 2010	HY 2011	HY 2012	HY 2013	HY 2014
Sales	930.8	1,009.4	1,163.5	1,283.0	1,433.6
Start-up losses[1]	8.7	5.5	72.7	61.8	23.8
EBITDA[2]	182.0	200.9	148.6	175.1	237.6
EBITDA margin	19.6%	19.9%	12.8%	13.6%	16.6%
EBIT[2]	142.2	160.0	103.7	129.4	193.5
EBIT margin	15.3%	15.9%	8.9%	10.1%	13.5%

[1] Start-up losses = EBITDA-effective start-up losses in new business fields and (since 2014) for "E-Mail made in Germany"

[2] Without special items: HY 2011 without the sale of Versatel shares (EBITDA and EBIT effect: € +24.8 million); HY 2012 without Sedo impairments (EBIT effect: € -46.3 million))

Financial position

Operative cash flow rose from € 118.5 million in the previous year to € 165.6 million in the first six months of 2014.

Despite the increase in business (sales growth of 11.7%), **net cash inflows from operating activities** increased from € 109.4 million to € 175.0 million.

Net cash outflows from investing activities amounted to € 41.6 million in the reporting period (prior year: € 26.5 million). This resulted mainly from disbursements of € 24.3 million (prior year: € 24.0 million) for capital expenditures, as well as from payments for the acquisition of shares in associated companies of € 20.2 million (investments in ePages and favor.it labs, as well as 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 € 154.2 million – compared to € 85.9 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 six months of 2014 was dominated by dividend payments of € 77.3 million (prior year: € 58.0 million), the redemption of loans totaling € 21.3 million (prior year: € 3.2 million), the purchase of treasury shares amounting to € 15.3 million (prior year: € 27.7 million) as well as the acquisition of further shares in affiliated companies (shares in Sedo Holding AG acquired as part of the squeeze-out) amounting to € 4.7 million.

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

	HY 2010	HY 2011	HY 2012	HY 2013	HY 2014
Operative cash flow	143.7	127.3	95.2	118.5	165.6
Cash flow from operating activities	156.8	125.0	107.8	109.4	175.0
Cash flow from investing activities	–20.0	–1.6	–14.9	–26.5	–41.6
Free cash flow[1]	124.7	107.4	89.2	85.9	154.2
Cash flow from financing activities	–181.9	–130.5	–90.7	–89.1	–119.9
Cash and cash equivalents on June 30	73.2	86.8	66.4	35.5	56.7

[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 € 1.343 billion as of June 30, 2014.

Non-current assets increased from € 970.9 million[1] as of December 31, 2013 to € 1,010.6 million as of June 30, 2014. Within this item, additions to **property, plant and equipment and intangible assets** of € 24.3 million (for furniture and fixtures, as well as software) were opposed by depreciation and amortization of € 44.1 million. Goodwill was virtually unchanged at € 455.6 million. Due to the stakes acquired in ePages and favor.it labs, as well as investments via Global Founders Capital No. 1, **shares in associated companies** rose to € 131.6 million compared to € 115.3 million[1] as of December 31, 2013. **Other financial assets** increased from € 47.6 million[1] to € 55.6 million due to the subsequent valuation of investments in the listed companies Goldbach and Hi-media not recognized in income, as well as the issuing of loans to affiliates. **Non-current prepaid expenses** resulting mainly from prepayments made in connection with long-term purchase agreements rose from € 7.3 million to € 31.2 million. **Deferred tax assets** increased as a result of business expansion from € 66.8 million to € 77.8 million.

Current assets increased from € 299.3 million[1] as of December 31, 2013 to € 332.1 million on June 30, 2014. **Cash and cash equivalents** disclosed under current assets rose from € 42.8 million[1] to € 56.7 million in the reporting period. **Trade accounts receivable** decreased from € 135.5 million to € 130.1 million as a result of closing-date effects. **Inventories** (especially smartphones, tablet PCs and WLAN routers) were increased from € 44.4 million to € 61.5 million due to current campaigns. **Current prepaid expenses** increased as a result of business expansion from € 53.3 million to € 60.6 million.

Current and non-current liabilities increased from € 962.4 million[1] to € 992.4 million in the first six months of 2014. As a result of business expansion and closing-date effects, **trade accounts payables** rose from € 260.2 million to € 283.8 million. **Accrued taxes** increased from € 22.2 million to € 47.5 million. As a result of business expansion, **deferred revenue** grew from € 183.7 million to € 191.8 million. In total, other liabilities remained largely unchanged. Despite the dividend payment of € 77.3 million – net bank liabilities (bank liabilities netted with cash and cash equivalents) fell by € 35.3 million, from € 297.3 million[1] to € 262.0 million.

On the back of the successful development of business, **equity capital** improved from € 307.9 million to € 350.3 million. The Group's **equity ratio** rose from 24.2% as of December 31, 2013 to 26.1% on June 30, 2014.

As of June 30, 2014, United Internet held 557,077 **treasury shares**.

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

	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2013	June 30, 2014
Total assets	1,271.3	1,187.0	1,107.7	1,270.3[1]	1,342.7
Cash and cash equivalents	96.1	64.9	42.6	42.8[1]	56.7
Shares in associated companies	84.1	33.6[2]	90.9[2]	115.3[1]	131.6
Property, plant and equipment	108.7	110.9	109.2	116.2	110.1
Intangible assets	221.4	187.4	151.8	165.1	148.7
Goodwill	402.9	401.3	356.2	452.8	455.6
Liabilities due to banks	369.4	524.6[3]	300.3[3]	340.0	318.7
Capital stock	240.0	215.0[4]	215.0	194.0[4]	194.0
Treasury stock	241.0	270.8	263.6	5.24	15.4
Equity	382.4	154.8[5]	198.1	307.9	350.3
Equity ratio	30.1%	13.0%	17.9%	24.2%	26.1%

1 Retroactively adjusted (see "New mandatory accounting standard" on page 20)
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 132 et seq., for further details.

Management Board's overall statement on the current business situation

Although economic growth in almost all target countries remains modest, United Internet AG continued its dynamic development in the first half of 2014 with an increase of 420,000 customer contracts to 13.87 million contracts, sales growth of 11.7% to € 1.434 billion and an improvement in EBITDA of 35.7% to € 237.6 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 six months of 2014, for example, will have a sustained positive impact on earnings.

The company's dynamic development once again highlights the benefits of United Internet's business model based predominantly on electronic subscriptions with fixed monthly payments and contractually fixed terms. This ensures stable and predictable revenues and cash flows, offers protection against cyclical influences and provides the financial scope to grasp opportunities in existing and new business fields and markets – organically or via 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 € 154.2 million, this figure was well above the prior-year level (€ 85.9 million).

Thanks to this high level of cash flow, and despite the dividend payment of € 77.3 million, net bank liabilities were reduced by € 35.3 million to € 262.0 million in the first six months 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 half 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. As of June 30, 2014, United Internet employed a total of 6,700 people. Compared to the same date last year (6,329 employees[1]), headcount increased by 371 staff or 5.9% – due in part to the takeover of Spanish competitor Arsys in the third quarter of 2013.

Of this total, 1,956 people were employed in the Access segment (prior year: 1,969[1]), 4,709 in the Applications segment (prior year: 4.326[1]) and 35 at the Group's headquarters (prior year: 34[1]). The decline in headcount in the Access segment was due to the transfer of staff to the Applications segment.

The number of employees at the Group's companies outside Germany rose by 218 or 15.9%, from 1,375[1] in the previous year to 1,593 as of June 30, 2014.

Headcount development (domestic/foreign and by segment)

	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013[1]	June 30, 2014	Change
Employees, total	4,724	5,204	5,972	6,329	6,700	+ 5.9%
thereof domestic	3,786	4,106	4,641	4,954	5,107	+ 3.1%
thereof foreign	938	1,098	1,331	1,375	1,593	+ 15.9%
Access segment	1,675	1,716	1,888	1,969	1,956	– 0.7%
Applications segment	3,023	3,459	4,054	4,326	4,709	+ 8.9%
Headquarters	26	29	30	34	35	+ 2.9%

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

Personnel expenses rose more slowly than sales by 9.8%, from € 150.4 million in the first six months of 2013 to € 165.1 million in the first half of 2014. The personnel expense ratio fell correspondingly from 11.7% in the previous year to 11.5%.

Development of personnel expenses (in € million)

	HY 2010	HY 2011	HY 2012	HY 2013	HY 2014	Change
Personnel expenses	97.4	109.4	132.1	150.4	165.1	+ 9.8%
Personnel expense ratio	10.5%	10. 8%	11.4%	11.7%	11.5%	

Subsequent events

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

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

Risk and opportunity report

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

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

In the first six months 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 complexity and manipulability of hardware and software used, 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

After completing the first six months of 2014, the IMF downgraded its forecasts for 2014 and expectations for the **global economy** (-0.3 percentage points) in its "World Economic Outlook" of July 2014. The forecasts for United Internet's **North American target markets** Mexico (-0.6 percentage points) and the USA (-1.1 percentage points) were significantly reduced, while the outlook for Canada remained unchanged. Outlook adjustments for the **European target markets** varied widely: while the forecasts for Germany (+0.4 percentage points), the UK (+0.4 percentage points) and Spain (+0.6 percentage points) were significantly upgraded, the IMF reduced its forecasts for Italy (-0.3 percentage points) and France (-0.2 percentage points).

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

	2015e	2014e	2013
World	4.0%	3.4%	3.0%
USA	3.0%	1.7%	1.9%
Canada	2.4%	2.2%	2.0%
Mexico	3.5%	2.4%	1.1%
Eurozone	1.5%	1.1%	–0.5%
Germany	1.7%	1.9%	0.5%
France	1.4%	0.7%	0.3%
Italy	1.1%	0.3%	–1.9%
Spain	1.2%	1.2%	–1.2%
UK	2.7%	3.2%	1.8%

Source: International Monetary Fund, World Economic Outlook (Update), July 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 – the experts of PricewaterhouseCoopers continue to forecast only moderate growth for the German broadband market (fixed line-based). According to the survey "German Entertainment and Media Outlook 2013-2017" of October 2013, PricewaterhouseCoopers expects an increase of 0.9% to € 7.65 billion in 2014.

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

	2014e	2013	Change
Sales	7.65	7.58	+ 0.9%

Source: PricewaterhouseCoopers

German mobile internet market

All experts predict further dynamic growth for the mobile internet market, however. Following market growth of 5.8% to € 9.1 billion in 2013, the industry association BITKOM also expects mobile data services to grow by 5.5% to € 9.6 billion in 2014. This growth will be driven above all by 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 the second half of 2014

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

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

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

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

Forecast for fiscal year 2014

With the figures for customer contracts, sales and earnings achieved in the first six months of 2014 and the investments already made, United Internet is well on track to meet its targets. Against this backdrop, the company is raising its guidance for the full year 2014 and now expects the number of fee-based customer contracts to grow by around 900,000 (previously: >800,000). Despite the related increase in costs for customer acquisition, the company's earnings guidance remains unchanged: 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). As previously announced, sales are expected to rise by around 10%.

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. 20-40% of net income will continue to be paid to shareholders in the form of dividends in the future (unless funds are required for further company development).

Management Board's overall statement on the anticipated development

The Management Board of United Internet AG is upbeat about the company's prospects for the future. Thanks to a business model based predominantly on electronic subscriptions, the company 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 continue to focus mainly on Mobile Internet products in the second half of 2014. In this business, the market shares in Germany are currently being allocated. United Internet aims to participate in the current market growth and achieve above-average growth. United Internet also plans to leverage the strong positioning of its DSL products and capture further market share.

In addition to the German access market, international business with cloud applications also promises strong potential for the medium- and long-term growth of the company – thanks to the rising global demand from private users, freelancers, and small to mid-sized companies. In the second half of 2014, the company will continue to focus on expanding business with existing customers. The internet organization ICANN is planning to gradually introduce around 700 new top-level domains (nTLDs) up to the end of 2016. The first new domain endings have been available since the beginning of 2014. By offering such nTLDs, United Internet has accessed new revenue streams for the future. A total of 170,000 nTLDs were already sold in the first six months of 2014.

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

Full-year 2014 forecast for United Internet AG

	Key figures for FY 2013	March forecast for FY 2014	August forecast for FY 2014
Fee-based customer contracts (in million)	13.45	+ > 0.8	+ ~ 0.9
Sales (in € billion)	2.656	+ ~10% to > 2.9	+ ~10 % to > 2.9
EBITDA (in € million)	407.2	~520	~520
EPS (in €)	1.07	1.40 - 1.50	1.40 - 1.50
Free cash flow[1] (in € million)	212.0	> 200	> 200

[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 June 30, 2014 in €k

	June 30, 2014	December 31, 2013[1]
ASSETS		
Current assets		
Cash and cash equivalents	56,710	42,775
Trade accounts receivable	130,128	135,524
Inventories	61,523	44,388
Prepaid expenses	60,563	53,264
Other financial assets	19,752	18,664
Other non-financial assets	3,403	4,734
	332,079	299,349
Non-current assets		
Shares in associated companies	131,566	115,311
Other financial assets	55,597	47,555
Property, plant and equipment	110,119	116,175
Intangible assets	148,748	165,078
Goodwill	455,607	452,812
Prepaid expenses	31,168	7,256
Deferred tax asset	77,767	66,758
	1,010,572	970,945
Total assets	**1,342,651**	**1,270,294**

	June 30, 2014	December 31, 2013[1]
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Trade accounts payable	283,837	260,216
Liabilities due to banks	1,421	23,038
Advance payments received	11,568	11,719
Accrued taxes	47,453	22,245
Deferred revenue	191,754	183,697
Other accrued liabilities	5,680	4,672
Other financial liabilities	73,006	53,217
Other non-financial liabilities	21,057	44,868
	635,776	603,672
Non-current liabilities		
Liabilities due to banks	317,325	317,004
Deferred tax liabilities	25,231	25,427
Other financial liabilities	14,021	16,338
	356,577	358,769
Total liabilities	**992,353**	**962,441**
Equity		
Capital stock	194,000	194,000
Additional paid-in capital	29,186	27,702
Accumulated profit	148,801	104,819
Treasury stock	–15,414	–5,178
Revaluation reserves	14,672	9,074
Cash flow hedge reserve	–4,952	–5,376
Currency translation adjustment	–16,469	–19,698
Equity attributable to shareholders of the parent company	**349,824**	**305,343**
Non-controlling interests	474	2,510
Total equity	**350,298**	**307,853**
Total liabilities and equity	**1,342,651**	**1,270,294**

[1] adjusted – see note 2 of the 6-Month Report 2014

Net Income

from January 1 to June 30, 2014 in €k

	2014 January – June	2013[1] January – June
Sales	1,433,551	1,282,959
Cost of sales	-944,241	-850,467
Gross profit	**489,310**	**432,492**
Selling expenses	-227,789	-239,829
General and administrative expenses	-64,815	-56,179
Other operating income / expenses	1,186	-194
Amortization of assets resulting from business combinations	-4,397	-6,939
Operating result	**193,495**	**129,351**
Financial result	-4,276	-5,136
Results from associated companies	-2,292	-2,816
Pre-tax result	**186,927**	**121,399**
Income taxes	-59,112	-38,378
Net income before non-controlling interests	**127,815**	**83,021**
Attributabel to		
- non-controlling interests	33	270
- shareholders of United Internet AG	127,782	82,751

	2014 January – June	2013[1] January – June
Result per share of shareholders of United Internet AG (in €)		
- basic	0.66	0.43
- diluted	0.65	0.42
Weighted average shares (in million units)		
- basic	193.60	193.82
- diluted	195.28	195.19
Statement of comprehensive income		
Net income	127,815	83,021
Items that may be reclassified subsequently to profit or loss		
- Currency translation adjustment	3,229	–3,928
- Market value changes of held-for-sale financial instruments after taxes	5,598	–910
- Change in cash flow hedge reserve after taxes	424	2,065
Other result	9,251	–2,773
Total net income	**137,066**	**80,248**
Attributable to		
- non-controlling interests	33	270
- shareholders of United Internet AG	137,033	79,978

[1] adjusted – see note 2 of the 6-Month Report 2014

Cash Flow

from January 1 to June 30, 2014 in €k

	2014 January – June	2013[1] January – June
Cash flow from operating activities		
Net income	127,815	83,021
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of assets and property, plant and equipment	39,674	38,836
Amortization of intangible assets resulting from business combinations	4,397	6,939
Compensation expenses from employee stock option plans	1,484	1,627
Results of at-equity companies	2,292	2,816
Distributed profit of associated companies	0	110
Change in deferred taxes	–11,206	–11,425
Other non-cash items	1,190	–3,409
Operative cash flow	**165,646**	**118,515**
Change in assets and liabilities		
Change in receivables and other assets	3,683	17,245
Change in inventories	–17,135	–14,636
Change in deferred expenses	–31,212	–17,062
Change in trade accounts payable	23,620	–42,574
Change in advance payments received	–151	875
Change in other accrued liabilities	1,009	287
Change in accrued taxes	25,208	13,530
Change in other liabilities	–2,875	29,842
Change in deferred income	7,246	3,394
Change in assets and liabilities, total	**9,393**	**–9,099**
Cash flow from operating activities	**175,039**	**109,416**

	2014 January – June	**2013**[1] January – June
Cash flow from investing activities		
Capital expenditure for intangible assets and property, plant and equipment	–24,288	–24,047
Payments from disposals of intangible assets and property, plant and equipment	3,464	538
Reduction from disposal of deconsolidated companies	0	–193
Purchase of shares in associated companies	–20,187	–1,831
Refunding from shares in associated companies	2,021	172
Investments in other financial assets	–948	–39
Payments of loans granted	–2,510	–1,800
Refunding from other financial assets	891	702
Cash flow from investment activities	**–41,557**	**–26,498**
Cash flow from financing activities		
Purchase of treasury stock	–15,297	–27,703
Change in bank liabilities	–21,296	–3,195
Dividend payments	–77,304	–58,038
Dividend payments to non-controlling interests	–1,359	–164
Purchase of further shares in affiliated companies	–4,678	0
Cash flow from financing activities	**–119,934**	**–89,100**
Net increase/decrease in cash and cash equivalents	13,548	–6,182
Cash and cash equivalents at beginning of fiscal year	42,775	42,648
Currency translation adjustments of cash and cash equivalents	387	–944
Cash and cash equivalents at end of fiscal year	**56,710**	**35,522**

[1] adjusted – see note 2 of the 6-Month Report 2014

Changes in Shareholders' Equity

from January 1 to June 30, 2014 in €k

	Capital stock		Additional paid-in capital	Accumulated profit	Treasury shares	
	Share	€k	€k	€k	Share	€k
Balance as of January 1, 2013	**215,000,000**	**215,000**	**25,468**	**227,012**	**20,662,202**	**-263,570**
Net income				82,751		
Other net income						
Total net income				**82,751**		
Purchase of treasury shares					1,376,314	-27,703
Issue of treasury shares				-11,767	-554,948	11,767
Cancellation of treasury shares	-21,000,000	-21,000		-248,255	-21,000,000	269,255
Employee stock ownership programme United Internet			1,627			
Dividend payments				-58,038		
Profit distributions						
Change in amount of holdings						
Balance as of June 30, 2013	**194,000,000**	**194,000**	**27,095**	**-8,297**	**483,568**	**-10,251**
Balance as of January 1, 2014	**194,000,000**	**194,000**	**27,702**	**104,819**	**244,265**	**-5,178**
Net income				127,782		
Other net income						
Total net income				**127,782**		
Purchase of treasury shares					495,735	-15,297
Issue of treasury shares				-5,061	-182,923	5,061
Employee stock ownership programme United Internet			1,484			
Dividend payments				-77,304		
Profit distributions						
Change in amount of holdings				-1,435		
Balance as of June 30, 2014	**194,000,000**	**194,000**	**29,186**	**148,801**	**557,077**	**-15,414**

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**
			82,751	270	83,021
–910	2,065	–3,928	–2,773	0	–2,773
–910	**2,065**	**–3,928**	**79,978**	**270**	**80,248**
			–27,703		–27,703
			0		0
			0		0
			1,627		1,627
			–58,038		–58,038
			0	–164	–164
			0	171	171
8,711	**–5,877**	**–21,229**	**184,152**	**10,132**	**194,284**
9,074	**–5,376**	**–19,698**	**305,343**	**2,510**	**307,853**
			127,782	33	127,815
5,598	424	3,229	9,251	0	9,251
5,598	**424**	**3,229**	**137,033**	**33**	**137,066**
			–15,297		–15,297
			0		0
			1,484		1,484
			–77,304		–77,304
			0	–168	–168
			–1,435	–1,901	–3,336
14,672	**–4,952**	**–16,469**	**349,824**	**474**	**350,298**

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 June 30, 2014 was prepared in compliance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU).

The Condensed Consolidated Interim Report for the period from January 1, 2014 to June 30, 2014 was prepared in accordance with IAS 34 *Interim Financial Reporting*.

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

Mandatory adoption of new accounting standards

Effects on the Consolidated Financial Statements resulted above all from the new standard on consolidated financial statements IFRS 10, which was published in May 2010 as part of a "package" of five new and revised standards. IFRS 10 changes the definition of "control" so that the same criteria are applied to all companies to determine a controlling relationship. This definition is supported by wide-ranging application guidelines illustrating the various ways that a reporting company (investor) can control another company (investment). The risk-opportunity approach previously specified by SIC-12 is no longer relevant for the purpose of assessing the existence of control under IFRS 10. In the course of first-time adoption of IFRS 10, an analysis of the possibility to control the relevant activities of Global Founders Capital No. 2 and No. 3 (formerly 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 Global Founders Capital 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 Holding SE, Montabaur (formerly Atrium 64. Europäische VV SE, Berlin)
- GMX & WEB.DE Mail & Media SE, Montabaur (formerly Atrium 61. Europäische VV SE, Munich)

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

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. Moreover, 25% of shares in Favor.it labs GmbH, Berlin, were acquired for a purchase price of € 2.0 million. These companies are included in the Consolidated Financial Statements of United Internet AG as associates.

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 – June 2014	**Access segment €k**	**Applications segment €k**	**Head Office / Investments €k**	**Reconciliation €k**	**United Internet Group €k**
Total revenues	993,179	463,169	2,845	–	–
- thereof internal revenues	20,658	2,258	2,726	–	–
External revenues	972,521	460,911	119	–	1,433,551
- thereof domestic	972,521	290,986	119	–	1,263,626
- thereof non-domestic	0	169,925	0	–	169,925
EBITDA	127,958	113,422	−3,814	0	237,566
EBIT	113,774	83,626	−3,905	0	193,495
Financial result			−4,621	345	−4,276
Result from at-equity companies			−2,427	135	−2,292
EBT			−10,953	197,880	186,927
Tax expense				−59,112	−59,112
Net income					**127,815**
Investments in intangible assets, property, plant and equipment	3,943	20,032	313	–	24,288
Amortization/depreciation	14,184	29,796	91	–	44,071
- thereof intangible assets, property, plant and equipment	14,184	25,399	91	–	39,674
- thereof assets capitalized during company acquisitions	0	4,397	0	–	4,397
Number of employees	1,956	4,709	35	–	6,700
- thereof domestic	1,885	3,187	35	–	5,107
- thereof non-domestic	71	1,522	0	–	1,593

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 – June 2013	**Access segment €k**	**Applications segment €k**	**Head Office / Investments €k**	**Reconciliation €k**	**United Internet Group €k**
Total revenues	863,673	421,491	2,593	–	–
- thereof internal revenues	435	1,898	2,465	–	–
External revenues	863,238	419,593	128	–	1,282,959
- thereof domestic	863,238	279,212	128	–	1,142,578
- thereof non-domestic	0	140,381	0	–	140,381
EBITDA	108,814	70,812	–4,500	0	175,126
EBIT	94,448	39,479	–4,576	0	129,351
Financial result			–4,959	–177	–5,136
Result from at-equity companies			–2,956	140	–2,816
EBT			–12,491	133,890	121,399
Tax expense				–38,378	–38,378
Net income					**83,021**
Investments in intangible assets, property, plant and equipment	1,658	22,324	65	–	24,047
Amortization/depreciation	14,366	31,333	76	–	45,775
- thereof intangible assets, property, plant and equipment	14,366	24,394	76	–	38,836
- thereof assets capitalized during company acquisitions	0	6,939	0	–	6,939
Number of employees	1,969	4,326	34	–	6,329
- thereof domestic	1,884	3,036	34	–	4,954
- thereof non-domestic	85	1,290	0	–	1,375

5. Personnel expenses

Personnel expenses amounted to € 165,123k in the reporting period of 2014 (prior year: € 150,392k). At the end of June 2014, United Internet employed a total of 6,700 people, of which 1,593 were employed outside Germany. The number of employees at the end of June 2013 amounted to 6,329, of which 1,375 were employed outside Germany.

6. Depreciation and amortization

Depreciation and amortization of intangible assets and property, plant and equipment amounted to € 39,674k (prior year: € 38,836k).

Amortization of capitalized intangible assets resulting from business combinations amounted to € 4,397k (prior year: € 6,939k).

Total depreciation and amortization of intangible assets and property, plant and equipment thus amounted to € 44,071k in the reporting period of 2014 (prior year: € 45,775k).

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	20,568
Adjustments	
- Dividends	0
- Shares in result	–2,292
Disposals	–2,021
	131,566

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

The additions refer to investments made by Global Founders Capital No. 1 and the investments in companies listed in Note 3.

8. Other financial assets

The development of these shares was as follows:

			Amortization of revaluation reserve					
	Jan. 01, 2014 €k	Additions €k	Recycling €k	Change €k	Impairment €k	Reclassification €k	Disposals €k	June 30, 2014 €k
Goldbach shares	13,530			1,658			–590	14,598
Hi-media shares	8,854			4,025				12,879
Afilias shares	8,720							8,720
Others	16,451	3,459				–209	–301	19,400
	47,555	**3,459**	**0**	**5,683**	**0**	**–209**	**–891**	**55,597**

Due to the retrospective application of IFRS 10, shares in the portfolio companies of Global Founders Capital No. 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 € 24,288k (prior year: € 24,047k) was invested in property, plant and equipment and intangible assets during the interim reporting period. Investments focused mainly on equipment and software.

Goodwill of € 455,607k disclosed as of June 30, 2014 consists solely of assets belonging to the “Applications” segment.

10. Non-current prepaid expenses

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

11. Liabilities due to banks

Bank liabilities result mainly from a revolving syndicated loan of € 600 million. As of June 30, 2014, € 320 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 June 30, 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.

The share buyback program adopted on May 24, 2013 on the basis of an authorization of the Annual Shareholders' Meeting of May 23, 2013 was revoked by the Annual Shareholders' Meeting of May 22, 2014 on expiry of May 22, 2014 with effect in future. At the same time, with a resolution adopted on May 22, 2014, the Annual Shareholders' Meeting authorized United Internet AG to buy back treasury shares representing up to 10% of the Company's capital stock. The authorization was issued for the period up to September 22, 2017.

On the basis of this authorization, the Management Board of United Internet AG resolved on June 13, 2014 to launch a new share buyback program. In the course of this new share buyback program, up to 2,000,000 Company shares (corresponding to approx. 1.03% 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 557,077 treasury shares as of June 30, 2014.

15. Reserves

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

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

Other items

16. Employee stock ownership plans

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

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

17. Additional details on financial instruments

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

The following table presents the carrying values of each category of financial assets and liabilities as of June 30, 2014:

	Valuation category acc. to IAS 39	Carrying value on June 30, 2014	Valuation acc. to IAS 39			Valuation acc. to IAS 17	Fair value on June 30, 2014
			Amortized cost	Fair value not through profit or loss	Fair value through profit or loss		
	€k	€k	€k	€k	€k	€k	€k
Financial assets							
Cash and cash equivalents	lar	56,710	56,710				56,710
Trade accounts receivable	lar	130,128	130,128				130,128
Other current financial assets	lar						
Purchase price receivable	lar	10,181	10,181				10,181
Others	lar	9,571	9,571				9,571
Other non-current financial assets	lar/afs						
Investments	afs	36,197	8,720	27,477			36,197
Others	lar	19,400	19,400				19,400
Financial liabilities							
Trade accounts payable	flac	–283,837	–283,837				–283,837
Liabilities due to banks	flac	–318,746	–318,746				–318,746
Other financial liabilities	flac/hd/n/a						
Interest swaps - hedge accounting	hd	–7,290		–7,077	–213		–7,290
Finance leases	n/a	–1,748				–1,748	–1,748
Others	flac	–77,989	–77,989				–77,989
Of which aggregated acc. to valuation categories:							
Loans and receivables (lar)	lar	225,990	225,990	0	0	0	225,990
Available-for-sale (afs)	afs	36,197	8,720	27,477	0	0	36,197
Financial liabilities measured at amortized cost (flac)	flac	–680,572	–680,572	0	0	0	–680,572
Hedging derivatives (hd) (negative market value)	hd	–7,290	0	–7,077	–213	0	–7,290
Finance leases	n/a	–1,748	0	0	0	–1,748	–1,748

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

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

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

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

Hierarchy of assets and liabilities measured at fair value:

	As of June 30, 2014 €k	Level 1 €k	Level 2 €k	As of Dec. 31, 2013 €k	Level 1 €k	Level 2 €k
Available-for-sale financial assets						
Listed shares	27,477	27,477		22,384	22,384	
Financial liabilities at fair value not through profit or loss						
Interest rate swap	7,290		7,290	7,915		7,915

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

18. Transactions with related parties

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

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 June 30, 2014 is shown in the following table:

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

In connection with the employee stock ownership plan of United Internet AG, Mr. Norbert Lang exercised 200,000 subscription rights and Mr. Robert Hoffmann 75,000 subscription rights in the reporting period 2013.

Mr. Norbert Lang sold 295,049 shares of United Internet AG in the reporting period 2014. This corresponds to 0.15% of current share capital amounting to € 194 million.

United Internet's premises in Montabaur and Karlsruhe are leased from Mr. Ralph Dommermuth. The resulting rent expenses are customary and amounted to € 3,584k in the reporting period of 2014 (prior year: € 3,030k).

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, August 14, 2014

Der Vorstand

Ralph Dommermuth　　Robert Hoffmann　　Norbert Lang

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Management Report and Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Montabaur, August 14, 2014

The Management Board

Ralph Dommermuth | Robert Hoffmann | Norbert Lang

Income Statement

Quarterly development in € million

	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q2 2013
Sales	672.1	700.6	709.9	723.7	653.3
Cost of sales	–442.2	–448.5	–463.7	–480.6	–437.3
Gross profit	**229.9**	**252.1**	**246.2**	**243.1**	**216.0**
Selling expenses	–111.8	–116.8	–124.7	–103.1	–123.9
General and administrative expenses	–31.0	–33.3	–31.9	–32.9	–27.7
Other operating income / expense	–2.4	4.0	2.5	–1.3	0.1
Amortization of assets resulting from business combinations	–3.5	–4.1	–2.4	–2.0	–3.4
Amortization of goodwill	0.0	–0.3	0.0	0.0	0.0
Operating result	**81.2**	**101.6**	**89.7**	**103.8**	**61.1**
Financial result	–2.5	–3.5	–2.2	–2.1	–2.5
Result from associated companies	–1.7	–0.2	–1.3	–1.0	–1.3
Pre-tax result	**77.0**	**97.9**	**86.2**	**100.7**	**57.3**
Income taxes	–26.4	–24.6	–26.4	–32.7	–18.8
Net income before non-controlling interests	**50.6**	**73.3**	**59.8**	**68.0**	**38.5**
Attributable to					
- non-controlling interests	0.1	0.1	0.0	0.0	0.1
- shareholders of United Internet AG	50.5	73.2	59.8	68.0	38.4
Result per share of shareholders of United Internet AG (in €)					
- basic	0.26	0.38	0.31	0.35	0.20
- diluted	0.26	0.38	0.31	0.34	0.19

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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