Half-year financial report 2018

SELECTED KEY FIGURES

	June 30, 2018 (IFRS 15)	June 30, 2017[1] (IAS 18)	Change
NET INCOME (IN € MILLION)			
Sales	2,548.9	1,954.1	+ 30.4%
EBITDA	565.5	429.9	+ 31.5%
EBIT	373.8	325.3	+ 14.9%
EBT[2]	358.3	311.1	+ 15.2%
EPS (in €)[2]	0.91	0.96	- 5.2%
EPS before PPA writedowns (in €)[2]	1.16	1.05	+ 10.5%
BALANCE SHEET (IN € MILLION)			
Current assets	1,043.5	965.1	+ 8.1%
Non-current assets	7,130.2	4,596.4	+ 55.1%
Equity	4,594.9	2,065.4	+ 122.5%
Equity ratio	56.2%	36.8%	
Total assets	8,173.6	5,609.3	+ 45.7%
CUSTOMER CONTRACTS IN CURRENT PRODUCT LINES (IN MILLION)			
Access, total contracts	13.11	8.88	+ 47.6%
thereof Mobile Internet	8.73	4.57	+ 91.0%
thereof DSL complete (ULL)	4.38	4.31	+ 1.6%
Business Applications, total contracts	8.07	7.98	+ 1.1%
thereof in Germany	4.05	3.98	+ 1.8%
thereof abroad	4.02	4.00	+ 0.5%
Consumer Applications, total accounts	38.05	36.53	+ 4.2%
thereof with Premium Mail subscription (contracts)[3]	1.54	1.61	- 4.3%
thereof with Value-Added subscription (contracts)[3]	0.45	0.38	+ 18.4%
thereof free accounts	36.06	34.54	+ 4.4%
Fee-based customer contracts, total[3]	23.17	18.85	+ 22.9%
CASH FLOW (IN € MILLION)			
Operative cash flow	418.9	315.6	+ 32.7%
Cash flow from operating activities[4]	164.7	394.5	- 58.3%
Cash flow from investing activities	- 128.1	- 741.2	
Free cash flow adjusted[4]	84.3	297.8	- 71.7%
EMPLOYEES (HEADCOUNT)			
Total as of June 30	8,999	8,387	+ 7.3%
thereof in Germany	7,520	6,859	+ 9.6%
thereof abroad	1,479	1,528	- 3.2%
SHARE (IN €)			
Share price as of June 30 (Xetra)	49.06	48.15	+ 1.9%

(1) After deconsolidation of affilinet
(2) EBT, EPS and EPS before PPA H1 2017 without writedowns on financial assets, especially Rocket impairment (EBT effect = € -19.8 million; EPS effect = € -0.09)
(3) After reclassification of 250,000 customer relationships (110,000 accounts with Premium Mail subscription and 140,000 accounts with Value-Added subscription) from contract inventory to free accounts; prior-year figure adjusted
(4) Cash flow from operating activities and free cash flow H1 2017 without capital gains tax refund of € 70.3 million; free cash flow H1 2018 without tax payment of € 34.7 million from fiscal year 2016

CONTENT

Dear shareholders, employees, customers and business associates,

United Internet AG maintained its growth trajectory in the first six months of 2018. Once again, we were able to raise the number of customer contracts, sales revenues, and key earnings ratios.

In the first half of 2018, we made further strong investments in new customer contracts and the expansion of our existing customer relationships, and thus in sustainable growth. All in all, we succeeded in raising the number of fee-based customer contracts by 530,000 to 23.17 million contracts. In our Access segment, we added 470,000 contracts (430,000 mobile internet and 40,000 DSL connections). Growth in this segment was therefore slightly below our original expectations. This is due to fiercer price competition in the mobile discount segment as of May 2018. We did not participate in this price reduction. In the first six months of 2018, our Applications segment grew by 60,000 fee-based contracts and 390,000 ad-financed free accounts.

Our sales and earnings figures are shaped by the consolidation of Strato and Drillisch, as well as by positive conversion effects from the initial application of IFRS 15 in the first half of 2018 (prior year: IAS 18). There were opposing and expected burdens on earnings from increased contract growth and stronger use of smartphones for new and existing customers (no or only small one-off customer charges for new contracts and refinancing via higher tariff prices over the contractual term). The resulting IFRS 15 effects had a positive impact on sales (€ 160.1 million), while their impact on earnings was almost fully offset by expenses for the increased use of smartphones.

Specifically, consolidated sales grew by 30.4%, from € 1,954.1 million (acc. to IAS 18) in the previous year to € 2,548.9 million (acc. to IFRS 15) in the first six months of 2018. On a pro forma basis (including Strato and Drillisch in the previous year), sales rose by 10.9% from € 2,298.2 million (acc. to IAS 18) to € 2,548.9 million (acc. to IFRS 15).

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 31.5%, from € 429.9 million (acc. to IAS 18) to € 565.5 million (acc. to IFRS 15). On a pro forma basis (including Strato and Drillisch in the previous year), EBITDA improved by 10.8% from € 510.2 million (acc. to IAS 18) to € 565.5 million (acc. to IFRS 15). EBITDA for the first six months of 2018 includes one-off expenses for current integration projects of € 13.9 million.

Earnings before interest and taxes (EBIT) increased by 14.9%, from € 325.3 million (acc. to IAS 18) in the previous year to € 373.8 million (acc. to IFRS 15). EBIT also includes the above mentioned one-off expenses. The difference in percentage growth compared to EBITDA is due to increased amortization of purchase price allocations (PPA) from the Strato and Drillisch takeovers completed in 2017.

Earnings per share (EPS) fell from € 0.96 (comparable prior-year figure without Rocket impairment) to € 0.91. This was due to the strong increase in minority interests as a result of the 33% stake of Warburg Pincus in the Business Applications division and the 27% stake of minority shareholders in 1&1 Drillisch AG, and thus in our Consumer Access business. In addition, there were increased PPA writedowns relating to the acquisition of Versatel, and in particular to the Strato and Drillisch takeovers in 2017. Without consideration of these PPA writedowns, EPS rose from € 1.05 to € 1.16.

Following the successful first six months of 2018, we can confirm our full-year sales and earnings guidance and continue to expect growth in sales to approx. € 5.2 billion (prior year acc. to IAS 18: € 4.21 billion). Consolidated EBITDA is still expected to reach approx. € 1.2 billion in 2018 (prior year acc. to IAS 18: € 980 million). Regarding the customer contracts in our Consumer Access business we assume that the continuously achieved growth of approximately 500,000 contracts per half year following the business combination of 1&1 and Drillisch will continue. Therefore we expect a growth of approximately one million contracts to approximately 13.64 million contracts in 2018. We have decided not to participate in the fiercer price competition in the mobile discount segment since May 2018 and consequently not to further increase the sales performance this year.

We are very well prepared for the next steps in our company’s development and upbeat about our prospects for the remaining months of the fiscal year. In view of our successful first six months, 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 13, 2018

Ralph Dommermuth

INTERIM GROUP MANAGEMENT REPORT FOR THE FIRST HALF OF 2018

Principles of the Group

Business model

Founded in 1988 and headquartered in Montabaur, Germany, United Internet AG is a leading European internet specialist with 23.17 million (prior year: 18.85 million) fee-based customer contracts and 36.06 million (prior year: 34.54 million) ad-financed free accounts around the world.

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

Access segment
The Access segment comprises United Internet's fee-based access products for its consumer and business customers. In its consumer business, these include DSL and mobile access products with the respective applications (such as home networks, online storage, telephony, video-on-demand or IPTV), while in the business customer segment these include data and network solutions for SMEs, as well as infrastructure services for large corporations.

With a current length of 45,839 km (prior year: 42,346 km), United Internet owns Germany's second-largest fiber-optic network. Moreover, the company – indirectly via 1&1 Drillisch – is the only MBA MVNO in Germany with long-term rights to a share (rising to 30%) of the used network capacity of Telefónica Germany and thus extensive access to Germany's largest mobile communications network. In addition to its own landline network and privileged access to the Telefónica network, the company also purchases standardized network services from various pre-service providers. These wholesale services are enhanced with end-user devices, self-developed applications and services from the company's own "Internet Factory" in order to differentiate them from the competition.

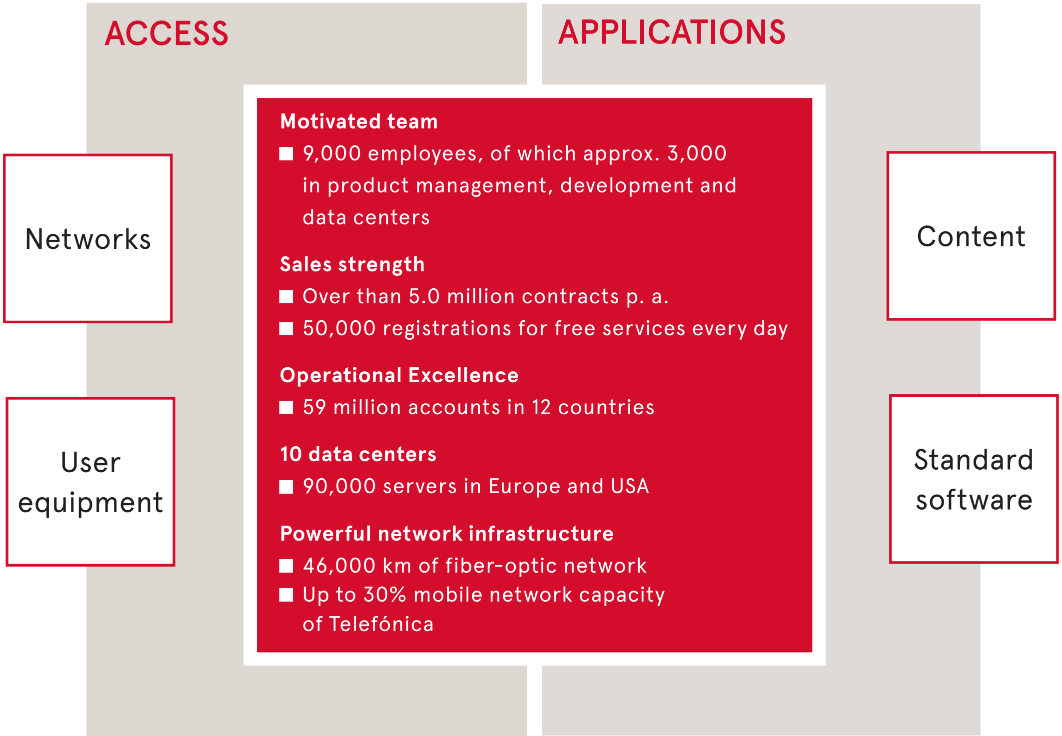
In its Access segment, United Internet operates exclusively in Germany, where it is one of the leading providers.

Access products are marketed via the well-known brand 1&1 as well as via the discount brands of Drillisch Online, such as winSIM, yourfone and smartmobile.de, which enable the company to offer a comprehensive range of products while also targeting specific customer groups.

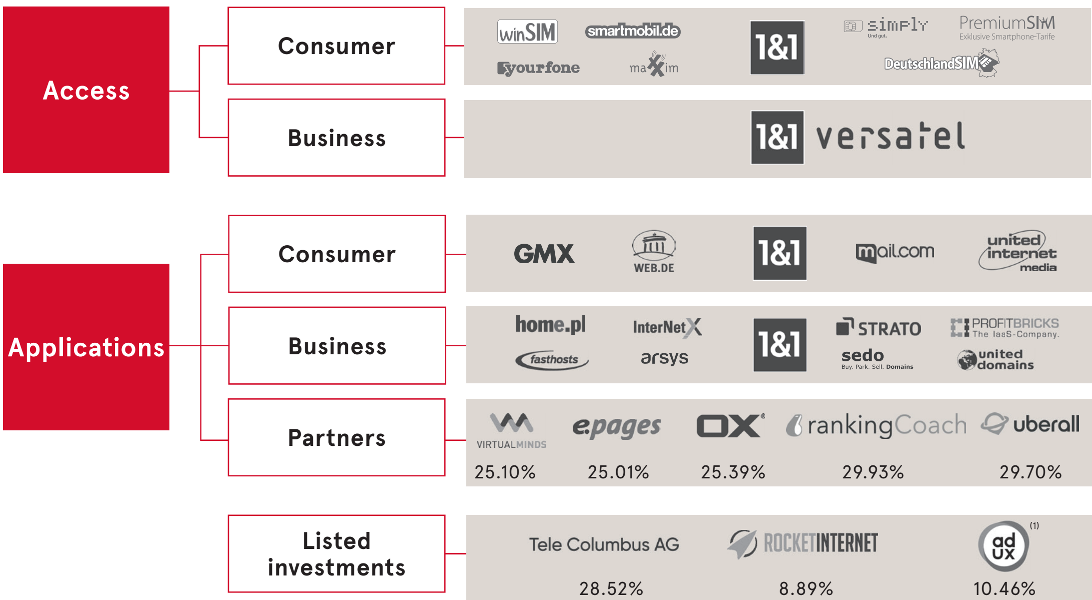
Applications segment
The Applications segment comprises ad-financed or fee-based application products for consumer and business customers. These applications include domains, home pages, webhosting, servers and e-shops, Personal Information Management applications (e-mail, to-do lists, appointments, addresses), group work, online storage and office software.

The applications are developed at the company's own "Internet Factory" or in cooperation with partner firms and operated on around 90,000 servers at the company's 10 data centers.

Business model



Brands and investments (as of June 30, 2018)



(1) Formerly Hi-Media

In its Applications segment, United Internet is also a leading global player with activities in Europe (Germany, France, the UK, Italy, the Netherlands, Austria, Poland, Switzerland and Spain) as well as in North America (Canada, Mexico and the USA).

Applications are marketed to specific home-user and business-user target groups via the differently positioned brands 1&1, GMX, mail.com, WEB.DE, Arsys, Fasthosts, home.pl, InterNetX, ProfitBricks, Strato and united-domains. Via the Sedo brand, United Internet also offers customers professional services in the field of active domain management. Free apps are monetized via advertising run by the company's in-house agency United Internet Media.

Group structure, strategy and control

With regard to the Group's structure, strategy and control, we refer to the explanations provided in the combined Management Report 2017 (Annual Report 2017, pages 32 et seq.). There have been no significant changes with regard to the Group.

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 applications for home users and commercial clients which are predominantly developed in-house or in cooperation with partner companies. The Group's success 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 3,000 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 half of 2018:

- Consumer Access: further development of 1&1 Digital TV
- Consumer Access: launch of 1&1 HomeServer+ with Multi-User MIMO technology
- Consumer Applications: roll-out of a new responsive search function for GMX and WEB.DE
- Consumer Applications: establishment of a big data platform for netID
- Business Applications: launch of bare-metal server (dedicated hardware-on-demand)
- Business Applications: roll-out of two-factor-authentication for the best-possible protection of customer logins

General economic, sector and legal conditions

Macroeconomic development

After the first six months of 2018, the International Monetary Fund (IMF) has adjusted its growth forecast for the global economy. In its updated economic outlook for 2018 (World Economic Outlook, Update July 2018), the IMF is slightly more downbeat about the situation of the global economy. Although its growth forecast for the **global economy** as a whole is unchanged at 3.9% for the current year, the IMF is more skeptical about the prospects for growth in major economies such as the UK, Japan and certain member states of the eurozone.

The IMF has also adjusted its forecasts (compared to the January outlook) for some of the United Internet Group's main target markets. The forecast for the **USA** was raised by 0.2 percentage points to 2.9%, while the forecast for **Canada** was downgraded by 0.2 percentage points to 2.1%. **Mexico** is still expected to achieve growth of 2.3%.

For the **eurozone**, the IMF's forecast is unchanged (compared to the January outlook) at 2.2% growth. However, the forecasts for **France** and **Italy** were reduced by 0.1 percentage point to 1.8% and by 0.2 percentage points to 1.2%, respectively. The forecast for **Spain** was raised by 0.4 percentage points to 2.8%.

The IMF forecasts growth of 1.4% for the **UK** (down 0.1 percentage points on the beginning of the year).

For United Internet's most important market, **Germany** (share of sales in 2017: around 91%), the IMF has also downgraded its outlook by 0.1 percentage points to 2.2%.

Changes in 2018 growth forecasts for United Internet's key target countries and regions

	January forecast	April forecast	July forecast	Change on January
World	3.9%	3.9%	3.9%	+/- 0.0 %-points
USA	2.7%	2.9%	2.9%	+ 0.2 %-points
Canada	2.3%	2.1%	2.1%	- 0.2 %-points
Mexico	2.3%	2.3%	2.3%	+/- 0.0 %-points
Eurozone	2.2%	2.4%	2.2%	+/- 0.0 %-points
France	1.9%	2.1%	1.8%	- 0.1 %-points
Spain	2.4%	2.8%	2.8%	+ 0.4 %-points
Italy	1.4%	1.5%	1.2%	- 0.2 %-points
UK	1.5%	1.6%	1.4%	- 0.1 %-points
Germany	2.3%	2.5%	2.2%	- 0.1 %-points

Source: International Monetary Fund, World Economic Outlook (Update), July 2018

Germany's slight economic downturn in the first half of 2018 is also illustrated by the sentiment barometer (adjusted for price, seasonal and calendar effects) of the German Institute for Economic Research (DIW Berlin), which calculated GDP growth of 0.3% and 0.4% in the first and second quarters of 2018, respectively – compared to 0.6% in each of the first two quarters of the previous year.

Development of gross domestic product (GDP) in Germany compared to previous quarter

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
GDP	+ 0.6%	+ 0.6%	+ 0.7%	+ 0.6%	+ 0.3%	+ 0.4%

Source: German Institute for Economic Research (DIW); status: June 27, 2018

Legal conditions / significant events

In the first half of 2018, the legal parameters for United Internet's business activities remained largely unchanged from fiscal year 2017 and thus had no significant influence on the development of the United Internet Group.

There were also no significant events in the first six months of 2018 which had a material influence on the development of business.

Business development of the Group

Initial application of IFRS 15

In May 2014, the International Accounting Standards Board (IASB) published the standard IFRS 15 "Revenue from Contracts with Customers". Application is mandatory in reporting periods beginning on or after January 1, 2018 – and thus also for the current half-year financial report 2018. The new standard provides a single, principles-based, five-step model for the determination and recognition of revenue to be applied to all contracts with customers. In particular, it replaces the previous standards IAS 18 "Revenue" and IAS 11 "Construction Contracts".

United Internet has exercised its right to use the modified retrospective transitional method, i.e. in the current half-year financial report 2018, the prior-year figures have not been adjusted. The conversion effects were recognized directly in equity as of January 1, 2018.

The application of IFRS 15 has a significant impact on the financial position and performance of United Internet. The new regulations mainly concern the following aspects:

- Whereas under the previous regulations, revenue from sales of hardware (e.g. cellphones) as part of a multiple-element arrangement (e.g. mobile contract and cellphone) was only recognized in the amount billed to the customer, IFRS 15 requires a separation of the total price for the customer contract based on the relative standalone selling prices of the individual elements. The resulting revenue share allocated to hardware is recognized in total on delivery to the customer. As the allocated revenue share generally exceeds the amount charged to the customer in the first month, the new regulations lead to accelerated revenue recognition and the corresponding recognition of a contract asset.
- Moreover, IFRS 15 requires the capitalization of contract costs. Provided that certain conditions are met, the costs of contract acquisition (e.g. sales commissions) and the costs of contract fulfillment (e.g. customer activation fees) must be capitalized and amortized over the estimated period of use.

In addition to conversion effects from the first-time application of IFRS 15, sales and earnings figures were impacted by the increased use of smartphones to attract new and retain existing customers (no or only small one-off customer charges for new contracts and refinancing via higher tariff prices over the contractual term). In order to provide comparability between sales and earnings figures according to IFRS 15 in the first half of 2018 and sales and earnings figures according to IAS 18 in the first half of 2017, the most important effects are reported in the form of additional comments on the development of business and the Group's position.

Use of business-relevant key financial performance indicators

In order to ensure the clear and transparent presentation of United Internet's business trend, the company's annual and interim financial statements include key performance indicators (KPIs) – in addition to the disclosures required by International Financial Reporting Standards (IFRS) – such as EBITDA, the EBITDA margin, EBIT, the EBIT margin and free cash flow. Information on the use, definition and calculation of these KPIs is provided in the Annual Report 2017 of United Internet AG starting on page 53.

Insofar as required for clear and transparent presentation, the KPIs used by United Internet are adjusted for special items. Such special items usually refer solely to those effects capable of restricting the validity of the key financial performance indicators with regard to the company's financial and earnings performance – due to their nature, frequency and/or magnitude. All special items are presented and explained for the purpose of reconciliation with the unadjusted financial figures in the relevant section of the financial statements.

Development of the Access segment

The number of **fee-based contracts** of the Access segment rose organically by 470,000 contracts to 13.11 million in the first six months of 2018. A total of 430,000 customer contracts were added in the company's mobile internet business, thus raising the total number of contracts to 8.73 million. Growth in this segment was therefore slightly below our original expectations. This is due to fiercer price competition in the mobile discount segment as of May 2018. United Internet did not participate in this price reduction. The number of complete DSL contracts (ULL = Unbundled Local Loop) was increased by 40,000 to a total of 4.38 million customer contracts.

Development of Access contracts in the first six months of 2018 (in million)

	June 30, 2018	Dec. 31, 2017	Change
Access, total contracts	13.11	12.64	+ 0.47
thereof Mobile Internet	8.73	8.30	+ 0.43
thereof DSL complete (ULL)	4.38	4.34	+ 0.04

Development of Access contracts in the second quarter of 2018 (in million)

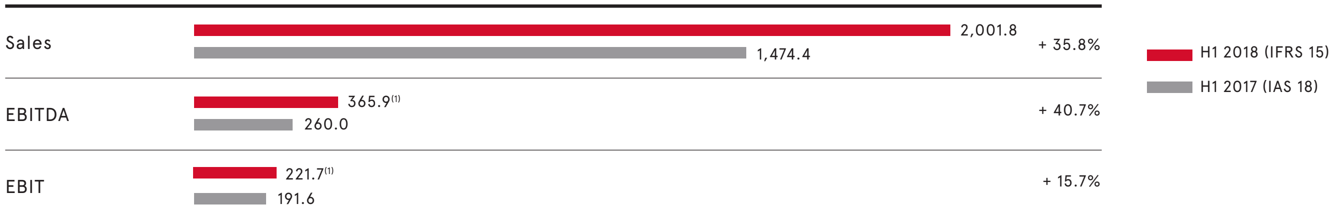
	June 30, 2018	Mar. 31, 2018	Change
Access, total contracts	13.11	12.91	+ 0.20
thereof Mobile Internet	8.73	8.54	+ 0.19
thereof DSL complete (ULL)	4.38	4.37	+ 0.01

Due in part to the merger with Drillisch in September 2017, sales of the **Access segment** rose by 35.8% in the first six months of 2018, from € 1,474.4 million in the previous year to € 2,001.7 million (sales effect from IFRS 15: € +153.8 million). Sales in the Consumer Access business increased by 42.6%, from € 1,266.4 million to € 1,805.7 million (sales effect from IFRS 15: € +153.8 million). Business Access sales of € 222.2 million were slightly below the prior-year figure (€ 222.5 million). The decline was due to the mass market business of 1&1 Versatel, which was still disclosed in part under Business Access in the previous year (as of May 1, 2017 under Consumer Access). Without consideration of mass market sales, there was significant growth in this division (+11.1%). On a pro forma basis (including Drillisch in the previous year), sales of the Access segment as a whole rose by 12.1% from € 1,785.7 million to € 2,001.7 million (sales effect from IFRS 15: € +153.8 million).

Due in part to the merger with Drillisch in September 2017, **segment EBITDA** in the first six months of 2018 improved by 40.7%, from € 260.0 million in the previous year to € 365.9 million (earnings effect from IFRS 15: € +158.7 million; earnings effect from increased smartphone use: € -158.3 million). EBITDA in the Consumer Access business increased by 57.9%, from € 215.5 million to € 340.2 million (earnings effect from IFRS 15: € +158.3 million; earnings effect from increased smartphone use: € -158.3 million). EBITDA for the Business Access division of € 25.7 million (earnings effect from IFRS 15: € +0.4 million) was below the prior-year figure (€ 44.5 million). This decline was due to the mass market EBITDA of 1&1 Versatel, which was still disclosed in part under Business Access in the previous year (as of May 1, 2017 under Consumer Access). Without consideration of this mass market business and structural measures, EBITDA grew strongly (+8.0%). On a pro forma basis (including Drillisch in the previous year), total segment EBITDA improved by 10.1% from € 332.3 million to € 365.9 million (earnings effect from IFRS 15: € +158.7 million; earnings effect from increased smartphone use: € -158.3 million). EBITDA includes **one-off expenses** for current integration projects of € 7.7 million.

Segment EBIT grew by 15.7% in the first six months of 2018, from € 191.6 million in the previous year to € 221.7 million (earnings effect from IFRS 15: € +159.7 million; earnings effect from increased smartphone use: € -158.3 million). EBIT also includes the above mentioned one-off expenses. The difference in percentage growth compared to EBITDA is due to increased amortization of purchase price allocations (PPA) from the Drillisch takeover.

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



(1) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -7.7 million)

Quarterly development (in € million); change over prior-year quarter

	Q3 2017 (IAS 18)	Q4 2017 (IAS 18)	Q1 2018 (IFRS 15)	Q2 2018 (IFRS 15)	Q2 2017 (IAS 18)	Change
Sales	798.8	919.4	995.6	1.006.2	743.8	+ 35.3%
EBITDA	164.0[1]	198.7[2]	177.3[3]	188.6[4]	126.3	+ 49.3%
EBIT	118.5[1]	121.1[2]	105.6[3]	116.1[4]	91.7	+ 26.6%

(1) Without extraordinary income from revaluation of Drillisch shares (EBITDA and EBIT effect: € +303.0 million)
(2) Without restructuring charges in offline sales (EBITDA and EBIT effect: € -28.3 million)
(3) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -5.0 million)
(4) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -2.7 million)

Multi-period overview: Development of key sales and earnings figures (in € million)

	H1 2014 (IAS 18)	H1 2015 (IAS 18)	H1 2016 (IAS 18)	H1 2017 (IAS 18)	H1 2018 (IFRS 15)
Sales	972.5	1,338.7	1,434.7	1,474.4	2,001.8
EBITDA	128.0	217.6	249.0	260.0	365.9[1]
EBITDA-Marge	13.2%	16.3%	17.4%	17.6%	18.3%
EBIT	113.8	138.5	181.1	191.6	221.7[1]
EBIT-Marge	11.7%	10.3%	12.6%	13.0%	11.1%

(1) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -7.7 million)

Development of the Applications segment

Apart from the technical integration projects and rebranding announced in the Annual Financial Statements 2017, the main focus for the **Business Applications** division in 2018 is still on the sale of additional features to existing customers (e.g. further domains, e-shops and business apps), as well as the acquisition of high-value customer relationships. Nevertheless, the number of fee-based Business Applications contracts was raised organically by 50,000 to 8.07 million contracts in the first six months of 2018.

Development of Business Applications contracts in the first six months of 2018 (in million)

	June 30, 2018	Dec. 31, 2017	Change
Business Applications, total contracts	8.07	8.02	+ 0.05
thereof in Germany	4.05	4.01	+ 0.04
thereof abroad	4.02	4.01	+ 0.01

Development of Business Applications contracts in the second quarter of 2018 (in million)

	June 30, 2018	Mar. 31, 2018	Change
Business Applications, total contracts	8.07	8.05	+ 0.02
thereof in Germany	4.05	4.04	+ 0.01
thereof abroad	4.02	4.01	+ 0.01

Also as announced in the Annual Financial Statements 2017, the key topic in the **Consumer Applications** division for fiscal year 2018 is the repositioning of GMX and WEB.DE. As part of this repositioning, the division will reduce advertising space while at the same time driving the expansion of data-driven business models for monetizing advertising. Despite the usual seasonal decline in the second quarter, the number of ad-financed free accounts rose by 390,000 to 36.06 million. The number of fee-based Consumer Application accounts (contracts) rose in total by 10,000 to 1.99 million in the reporting period. As a result, Consumer Accounts rose in total by 400,000 to 38.05 million accounts.

Development of Consumer Applications accounts in the first six months of 2018 (in million)

	June 30, 2018	Dec. 31, 2017	Change
Consumer Applications, total accounts	38.05	37.65	+ 0.40
thereof with Premium Mail subscription	1.54	1.56 (1)	- 0.02
thereof with Value-Added subscription	0.45	0.42 (1)	+ 0.03
thereof free accounts	36.06	35.67 (1)	+ 0.39

(1) After reclassification of 250,000 customer relationships (110,000 accounts with Premium Mail subscription and 140,000 accounts with Value-Added subscription) from contract inventory to free accounts as of March 31, 2018; prior-year figure adjusted

Development of Consumer Applications accounts in the second quarter of 2018 (in million)

	June 30, 2018	Mar. 31, 2018	Change
Consumer Applications, total accounts	38.05	38.25	- 0.20
thereof with Premium Mail subscription	1.54	1.54 (1)	+/- 0.00
thereof with Value-Added subscription	0.45	0.44 (1)	+ 0.01
thereof free accounts	36.06	36.27 (1)	- 0.21

(1) After reclassification of 250,000 customer relationships (110,000 accounts with Premium Mail subscription and 140,000 accounts with Value-Added subscription) from contract inventory to free accounts as of March 31, 2018

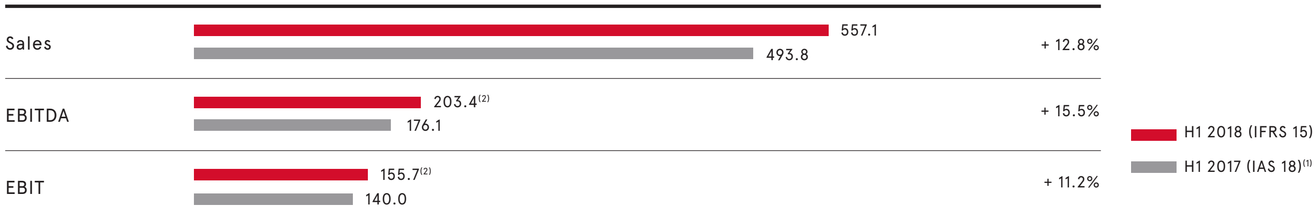
Due in part to the consolidation of Strato acquired on April 1, 2017, **sales of the Applications segment** increased by 12.8% in the first six months of 2018, from € 493.8 million in the previous year to € 557.1 million (sales effect from IFRS 15: € +6.3 million). Sales of Consumer Applications rose by 4.3% from € 134.4 million to € 140.2 million (sales effect from IFRS 15: € +0.5 million), while Business Applications sales grew by 15.9% from € 361.7 million to € 419.3 million (sales effect from IFRS 15: € +5.8 million). On a pro forma basis (including Strato in the previous year), sales of the Applications segment as a whole rose by 5.8% from € 526.6 million to € 557.1 million (sales effect from IFRS 15: € +6.3 million).

Influenced in particular by the year-on-year devaluation of the British pound, **sales abroad** increased only moderately by 2.2%, from € 191.3 million to € 195.5 million. Adjusted for currency effects, sales generated abroad were up 3.4%.

Also due to the consolidation of Strato acquired on April 1, 2017, **segment EBITDA** improved by 15.5% in the first six months of 2018, from € 176.1 million in the previous year to € 203.4 million (earnings effect from IFRS 15: € +5.9 million). EBITDA for Consumer Applications of € 54.5 million (earnings effect from IFRS 15: € +0.5 million) was slightly below the prior-year figure (€ 57.9 million). This decline was due to the previously announced repositioning of GMX and WEB.DE. EBITDA for Business Applications increased by 26.0%, from € 118.2 million to € 148.9 million (earnings effect from IFRS 15: € +5.4 million). On a pro forma basis (including Strato in the previous year), total segment EBITDA rose by 10.5% from € 184.1 million to € 203.4 million (earnings effect from IFRS 15: € +5.9 million). EBITDA includes **one-off expenses** for current integration projects of € 6.2 million.

Segment EBIT rose by 11.2% from € 140.0 million to € 155.7 million (earnings effect from IFRS 15: € 5.9 million). EBIT also includes the above mentioned one-off expenses. The difference in percentage growth compared to EBITDA results from increased PPA amortization from the Strato takeover.

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



(1) After deconsolidation of affilinet in 2017
(2) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -6.2 million)

Quarterly development (in € million); change over prior-year quarter

	Q3 2017[1] (IAS 18)	Q4 2017[1] (IAS 18)	Q1 2018 (IFRS 15)	Q2 2018 (IFRS 15)	Q2 2017[1] (IAS 18)	Change
Sales	261.7	286.3	280.1	277.0	264.2	+ 4.8%
EBITDA	95.2[2]	100.1	102.2[4]	101.2[5]	94.3	+ 7.3%
EBIT	72.3[2]	77.2[3]	78.6[4]	77.1[5]	71.5	+ 7.8%

(1) After deconsolidation of affilinet in 2017
(2) Without extraordinary income from revaluation of ProfitBricks shares (EBITDA and EBIT effect: € +16.1 million) and without internally allocated M&A costs (EBITDA and EBIT effect: € -8.7 million)
(3) Without trademark writedowns Strato (EBIT effect: € -20.7 million)
(4) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -3.1 million)
(5) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -3.1 million)

Multi-period overview: Development of key sales and earnings figures (in € million)

	H1 2014 (IAS 18)	H1 2015 (IAS 18)	H1 2016[1] (IAS 18)	H1 2017[1] (IAS 18)	H1 2018 (IFRS 15)
Sales	460.9	496.8	461.5	493.8	557.1
EBITDA	113.4	136.0	153.1	176.1	203.4[2]
EBITDA margin	24.6 %	27.4 %	33.2 %	35.7 %	36.5 %
EBIT	83.6	106.3	125.0	140.0	155.7[2]
EBIT margin	18.1 %	21.4 %	27.1 %	28.4 %	27.9 %

(1) After deconsolidation of affilinet in 2017; H1 2016 adjusted
(2) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -6.2 million)

Share and dividend

The United Internet AG **share** declined in total by 14.4% over the first six months of 2018 and closed at € 49.06 as of June 30, 2018 (December 31, 2017: € 57.34). Compared to the previous year (June 30, 2017: € 48.15), the share price was up slightly by 1.9%.

Multi-period overview: Share development

	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
Closing price (Xetra)	€ 32.18	€ 39.88	€ 37.20	€ 48.15	€ 49.06
Performance	+ 48.4%	+ 23.9%	- 6.7%	+ 29.4%	+ 1.9%
Number of shares	194 million	205 million	205 million	205 million	205 million
Market value	€ 6.24 billion	€ 8.18 billion	€ 7.63 billion	€ 9.87 billion	€ 10.06 billion

United Internet AG continued its shareholder-friendly dividend policy in 2018. At the Annual Shareholders' Meeting held on May 24, 2018, shareholders voted to accept the proposal of the Management Board and Supervisory Board to pay a **dividend** of € 0.85 (prior year: € 0.80) per share for the fiscal year 2017. A total dividend payment of € 170.0 million (prior year: € 159.7 million) was made on May 29, 2018. The payout ratio was 42.0% of the adjusted consolidated net income from continued operations after minority interests for 2017 (€ 405.0 million) and thus slightly above the range targeted by the company's dividend policy (20% - 40% of adjusted consolidated net income, unless funds are required for further company development). Based on the closing price of the United Internet share on June 30, 2018, the dividend yield was 1.7%.

Multi-period overview: Dividend development

	For 2013	For 2014	For 2015	For 2016	For 2017
Dividend per share (in €)	0.40	0.60	0.70	0.80	0.85
Dividend payment (in € million)	77.5	122.3	142.9	159.7	170.0
Payout ratio	37.4%	27.3%	39.0%	89.2%	26.1%
Payout ratio without special items[1]	37.4%	43.0%	39.0%	36.8%	42.0%
Dividend yield[2]	1.2%	1.5%	1.9%	1.7%	1.7%

(1) Without special items: one-off income from Versatel acquisition and optimization of investment portfolio (2014); writedowns on financial assets, especially Rocket impairment (2016); net positive one-off effects from non-cash-effective valuation topics, transaction and restructuring costs, writedowns, financing costs, one-off tax effects, and discontinued operations
(2) As of: June 30

Position of the Group

Earnings position

In the first six months of 2018, the number of **fee-based customer contracts** rose organically by 530,000 to a total of 23.17 million contracts. Ad-financed free accounts increased by 390,000 to 36.06 million.

Sales and earnings figures are shaped by the consolidation of Strato and Drillisch, as well as by positive conversion effects from the initial application of IFRS 15 in the first six months of 2018 (prior year: IAS 18). There were opposing and expected burdens on earnings from increased contract growth and stronger use of smartphones for new and existing customers (no or only small one-off customer payment for new contracts and refinancing via higher tariff prices over the contractual term).

Due in part to the consolidation of Strato and Drillisch, **consolidated sales** grew by 30.4% from € 1,954.1 million in the previous year to € 2,548.9 million in the first six months of 2018 (sales effect from IFRS 15: € +160.1 million). On a pro forma basis (including Strato and Drillisch in the previous year), sales rose by 10.9% from € 2,298.2 million to € 2,548.9 million. Influenced mainly by the year-on-year decline in the value of the British pound, there was only a modest 2.2% increase in **sales outside Germany**, from € 191.3 million to € 195.5 million. Adjusted for currency effects, foreign sales rose by 3.4%.

Due to the increased use of smartphones for new and existing customers, the **cost of sales** increased faster than revenues from € 1,272.9 million (65.1% of sales) in the previous year to € 1,697.6 million (66.6% of sales) in the first six months of 2018. There was a corresponding decline in the **gross margin** from 34.9% to 33.4%. At the same time, **gross profit** rose by 25.0% from € 681.2 million in the previous year to € 851.3 million.

Sales and marketing expenses increased more slowly than sales from € 270.9 million (13.9% of sales) in the previous year to € 344.1 million (13.5% of sales). **Administrative expenses** also rose more slowly than sales from € 85.2 million in the previous year (4.4% of sales) to € 109.2 million (4.3% of sales).

Multi-period overview: Development of key cost items (in € million)

	H1 2014 (IAS 18)	H1 2015 (IAS 18)	H1 2016[1] (IAS 18)	H1 2017[1] (IAS 18)	H1 2018 (IFRS 15)
Cost of sales	945.9	1,216.2	1,231.3	1,272.9	1,697.6
Cost of sales ratio	66.0%	66.7%	65.5%	65.1%	66.6%
Gross margin	34.0%	33.3%	34.5%	34.9%	33.4%
Selling expenses	230.5	293.9	263.3	270.9	344.1
Selling expenses ratio	16.1%	16.1%	14.0%	13.9%	13.5%
Administrative expenses	64.8	84.3	92.0	85.2	109.2
Administrative expenses ratio	4.5%	4.6%	4.9%	4.4%	4.3%

(1) After deconsolidation of affilinet in 2017; H1 2016 adjusted

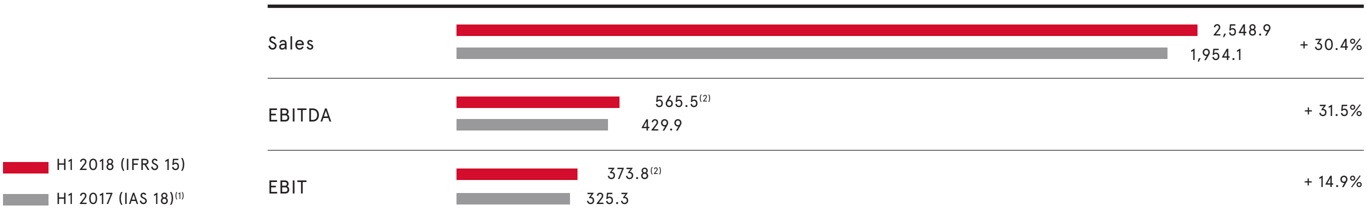
Consolidated EBITDA rose by 31.5% from € 429.9 million in the previous year to € 565.5 million (earnings effect from IFRS 15: € +169.1 million; earnings effect from increased smartphone use: € -158.3 million). On a pro forma basis (including Strato and Drillisch in the previous year), EBITDA improved by 10.8% from € 510.2 million to € 565.5 million (earnings effect from IFRS 15: € +169.1 million; earnings effect from increased smartphone use: € -158.3 million). EBITDA for the first six months of 2018 includes one-off expenses for current integration projects of € 13.9 million.

EBIT increased by 14.9% from € 325.3 million to € 373.8 million (earnings effect from IFRS 15: € +170.0 million; earnings effect from increased smartphone use: € -158.3 million). EBIT also includes the above mentioned one-off expenses. The difference in percentage growth compared to EBITDA is due to increased amortization of purchase price allocations (PPA) from the Strato and Drillisch takeovers.

Earnings before taxes (EBT) rose by 23.0% from € 291.3 million to € 358.3 million, or by 15.2% from € 311.1 million to € 358.3 million without consideration of impairment charges in the previous year on Rocket Internet shares held by United Internet (EBT effect: € -19.8 million; EPS effect: €-0.09).

Despite the increase in pre-tax earnings, **earnings per share (EPS)** fell from € 0.96 (comparable prior-year figure without Rocket impairment) to € 0.91. This was due to the strong increase in minority interests as a result of the 33% stake of Warburg Pincus in the Business Applications division and the 27% stake of minority shareholders in 1&1 Drillisch AG and thus in the Consumer Access division. In addition, there were increased PPA writedowns resulting from the acquisition of Versatel and in particular from the Strato and Drillisch takeovers completed in 2017. Without consideration of PPA writedowns, EPS rose from € 1.05 to € 1.16.

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



(1) After deconsolidation of affilinet in 2017
(2) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -13.9 million)

Quarterly development (in € million); change over prior-year quarter

	Q3 2017[1] (IAS 18)	Q4 2017[1] (IAS 18)	Q1 2018 (IFRS 15)	Q2 2018 (IFRS 15)	Q2 2017[1] (IAS 18)	Change
Sales	1,054.1	1,198.1	1,270.7	1,278.2	1,001.4	+ 27.6%
EBITDA	254.2[2]	295.5[3]	278.3[4]	287.2[5]	216.9	+ 32.4%
EBIT	185.9[2]	194.7[3]	182.9[4]	190.9[5]	159.4	+ 19.8%

(1) After deconsolidation of affilinet in 2017
(2) Without extraordinary income from revaluation of Drillisch shares (EBITDA and EBIT effect: € +303.0 million) and revaluation of ProfitBricks shares (EBITDA and EBIT effect: € +16.1 million) and without M&A transaction costs (EBITDA and EBIT effect: € -15.2 million)
(3) Without M&A transaction costs (EBITDA and EBIT effect: € -1.9 million), without restructuring costs for offline sales (EBITDA and EBIT effect: € -28.3 million), and without trademark writedowns Strato (EBIT effect: € -20.7 million)
(4) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -8.1 million)
(5) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -5.8 million)

Multi-period overview: Development of key sales and earnings figures (in € million)

	H1 2014 (IAS 18)	H1 2015 (IAS 18)	H1 2016(1) (IAS 18)	H1 2017(1) (IAS 18)	H1 2018 (IFRS 15)
Sales	1,433.6	1,823.4	1,880.6	1,954.1	2,548.9
EBITDA	237.6	345.7(1)	398.0	429.9	565.5(2)
EBIT	16.6%	19.0%	21.2%	22.0%	22.2%
EBIT	193.5	236.7(1)	301.5	325.3	373.8(2)
EBIT-Marge	13.5%	13.0%	16.0%	16.6%	14.7%

(1) After deconsolidation of affilinet in 2017; H1 2016 adjusted
(2) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -13.9 million)

Financial position

Thanks to the positive earnings trend, **operative cash flow** rose from € 315.6 million in the previous year to € 418.9 million in the first six months of 2018.

Cash flow from operating activities in the first six months of 2018 decreased from € 394.5 million in the previous year (without consideration of a capital gains tax refund of € 70.3 million) to € 164.7 million. This was mainly due to prepayments for services received which will not be recognized until the following periods, increased hardware use in connection with a rise in contract assets, as well as a short-term increase in inventories, which led to corresponding cash outflows and will not be amortized until subsequent periods.

Cash flow from investing activities amounted to € 128.1 million in the reporting period (prior year: € 741.2 million). This resulted mainly from disbursements of € 119.7 million for capital expenditures (prior year: € 98.6 million) and from a subsequent cash outflow from the sale of yourfone Shop GmbH at the end of 2017. In addition to the aforementioned capital expenditures, cash flow from investing activities in the previous year was dominated by payments for the purchase of shares in affiliated companies of € 554.5 million (Strato takeover), and payments for the purchase of shares in associated companies totaling € 89.6 million (mainly for the increase of stakes in Tele Columbus and Drillisch, as well as the investment in rankingCoach).

As a result of the investments made in operating activities (increased use of smartphones for new and existing customers) which will not be amortized until subsequent periods, and closing-date effects from the short-term increase in inventories (use of favorable purchasing conditions), **free cash flow** (i.e. cash flow from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment) fell from € 297.8 million (comparable prior-year figure without above mentioned capital gains tax refund) to € 84.3 million (without a tax payment of € 34.7 million from the fiscal year 2016).

Cash flow from financing activities in the first six months of 2018 was dominated by the net assumption of loans totaling € 89.9 million (prior year: € 450.1 million), the dividend payment of € 170.0 million (prior year: € 159.7 million), and the dividend payment to minority shareholders (mostly 1&1 Drillisch shareholders) of € 75.5 million (prior year: € 0). Apart from the assumption of loans and dividend payment, cash flow from financing activities in the previous year was dominated by the purchase of treasury shares (€ 77.2 million), and contributions from minority shareholders (€ 305.2 million from the investment of Warburg Pincus in the Business Applications division).

Cash and cash equivalents amounted to € 111.8 million as of June 30. 2018 – compared to € 336.6 million on the same date last year.

Multi-period overview: Development of key cash flow figures (in € million)

	H1 2014 (IAS 18)	H1 2015 (IAS 18)	H1 2016 (IAS 18)	H1 2017 (IAS 18)	H1 2018 (IFRS 15)
Operative cash flow	165.6	251.6	303.2	315.6	418.9
Cash flow from operating activities	175.0	158.5[2]	243.0[3]	394.5[4]	164.7
Cash flow from investing activities	-41.6	-518.6	-328.1	-741.2	- 128.1
Free cash flow[1]	154.2	98.9[2]	172.7[3]	297.8[4]	84.3[5]
Cash flow from financing activities	-119.9	48.8	189.6	509.9	- 163.6
Cash and cash equivalents on June 30	56.7	67.5	88.1	336.6	111.8

(1) Free cash flow is defined as cash flow from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment
(2) Without capital gains tax refund of € 326.0 million
(3) Without income tax payment of around € 100.0 million
(4) Without capital gains tax refund of € 70.3 million
(5) Without tax payment of € 34.7 million from fiscal year 2016

Asset position

The **balance sheet total** rose from € 7.606 billion as of December 31, 2017 to € 8.174 billion on June 30, 2018.

The **initial application of IFRS 15** in the first six months of 2018 resulted in current and non-current assets, as well as current and non-current liabilities, which comprise items from previous periods recognized directly in equity as of January 1, 2018 and adjustments of the current reporting period carried in profit or loss.

Current assets increased from € 823.9 million as of December 31, 2017 to € 1,043.5 million on June 30, 2018. **Cash and cash equivalents** disclosed under current assets decreased from € 238.5 million to € 111.8 million due to investments made in connection with the increased use of smartphones for new and existing customers. **Trade accounts receivable** rose from € 290.0 million to € 309.5 million. There was a short-term increase in **inventories** for coming campaigns from € 44.7 million to € 109.6 million resulting from closing-date effects. The item **contract assets** amounting to € 345.3 million (December 31, 2017: € 0) includes claims against customers due to accelerated revenue recognition from the application of IFRS 15 in the first six months of 2018, which were recognized directly in equity at the beginning of the year and since this time amortized at cost. **Other financial assets** fell from € 100.3 million (including a refund claim against a pre-service provider) to € 49.3 million. **Other non-financial assets** decreased from € 58.2 million to € 33.1 million and mainly comprise receivables from the tax authorities.

Non-current assets increased from € 6,781.9 million as of December 31, 2017 to € 7,130.2 million on June 30, 2018. **Shares in associated companies** increased slightly from € 418.0 million to € 420.6 million. Due in particular to the subsequent valuation of United Internet's listed investments, **other financial assets** rose from € 333.7 million to € 460.3 million. **Property, plant and equipment** increased from € 747.4 million to € 770.1 million, while **intangible assets** fell from € 1,393.3 million to € 1,281.2 million. **Goodwill** was virtually unchanged at € 3,576.9 million. The item **contract assets** amounting to € 141.2 million (December 31, 2017: € 0) includes claims against customers due to accelerated revenue recognition from the application of IFRS 15 in the first six months of 2018. **Prepaid expenses** increased from € 100.9 million to € 418.9 million and mainly include the long-term portion of expenses relating to contract acquisition and contract fulfillment, as well as prepayments in connection with long-term purchasing agreements. As a result of IFRS 15 accounting, **deferred tax assets** fell from € 155.2 million to € 9.7 million.

Current liabilities fell from € 1,284.5 million as of December 31, 2017 to € 1,215.4 million on June 30, 2018. Due to closing-date effects, current **trade accounts payable** increased from € 399.9 million to € 419.3 million. Short-term **bank liabilities** rose from € 248.2 million to € 303.6 million. **Income tax liabilities** fell from € 130.2 million to € 94.9 million. **Contract liabilities** of € 161.7 million mainly include payments received from customer contracts for which the performance has not yet been completely rendered and which were recognized in the first six months of 2018 on application of IFRS 15 directly in equity at the beginning of the year and since amortized at cost.

Non-current liabilities increased from € 2,270.8 million as of December 31, 2017 to € 2,363.4 million on June 30, 2018. At the same time, long-term **bank liabilities** rose from € 1,707.6 million to € 1,742.1 million. **Contract liabilities** of € 32.4 million mainly include payments received from customer contracts for which the performance has not yet been completely rendered and which were recognized in the first six months of 2018 on application of IFRS 15 directly in equity at the beginning of the year and since amortized at cost. The increase in **other accrued liabilities** from € 33.5 million to € 98.8 million resulted in particular from initial recognition of accruals for termination fees as part of IFRS 15 accounting.

The Group's **equity capital** rose from € 4,050.6 million as of December 31, 2017 to € 4,594.9 million on June 30, 2018. The change mainly reflects the adjustments recognized directly in equity from using the modified retrospective transition method on initial application of IFRS 15 as of January 31, 2018. There was a corresponding rise in the **equity ratio** from 53.3% to 56.2%. At the end of the reporting period on June 30, 2018, United Internet held 4,702,202 **treasury shares** (December 31, 2017: 5,093,289).

Net bank liabilities (i.e. the balance of bank liabilities and cash and cash equivalents) increased from € 1,717.3 million as of December 31, 2017 to € 1,933.8 million on June 30, 2018. As in previous years, this temporary increase is due to the dividend payment made in May.

Multi-period overview: Development of key balance sheet items (in € million)

	Dec.31, 2014 (IAS 18)	Dec.31, 2015 (IAS 18)	Dec.31, 2016 (IAS 18)	Dec.31, 2017 (IAS 18	June 30, 2018 (IFRS 15)
Total assets	3,673.4	3,885.4	4,073.7	7,605.8	8,173.6
Cash and cash equivalents	50.8	84.3	101.7	238.5	111.8
Shares in associated companies	34.9	468.4 (1)	755.5 (1)	418.0	420.6
Other financial assets	695.3	449.0 (2)	287.7 (2)	333.7 (2)	460.3 (2)
Property, plant and equipment	689.3	665.2	655.0	747.4 (3)	770.1
Intangible assets	385.5	389.5	369.5	1,393.3 (3)	1,281.2
Goodwill	977.0	1,100.1 (4)	1,087.7	3,579.8 (4)	3,576.9
Liabilities due to banks	1,374.0	1,536.5 (5)	1,760.7 (5)	1,955.8 (5)	2,045.6
Capital stock	205.0	205.0	205.0	205.0	205.0
Treasury stock	35.3	26.3	122.5	189.4	174.8
Equity	1,204.7	1,149.8	1,197.8	4,050.6 (6)	4,594.9
Equity ratio	32.8%	29.6%	29.4%	53.3%	56.2%

(1) Increase due to investment in Drillisch (2015); increase due to investment in Tele Columbus (2016); decrease due to takeover and consolidation of ProfitBricks and Drillisch
(2) Decrease due to sale of Goldbach shares and subsequent valuation of shares in listed companies (2015); decrease due to subsequent valuation of shares in listed companies (2016); increase due to subsequent valuation of shares in listed companies (2017); increase due to subsequent valuation of shares in listed companies (2018)
(3) Increase due to Strato, ProfitBricks and Drillisch takeovers (2017)
(4) Increase due to acquisition of home.pl (2015); increase due to Strato, ProfitBricks and Drillisch takeovers (2017)
(5) Increase due to increased stake in Rocket, Drillisch investment, and acquisition of home.pl (2015); increase due to Tele Columbus investment (2016); increase due to Strato takeover and increased stake in Drillisch and Tele Columbus (2017)
(6) Increase due to consolidation effects in connection with the investment of Warburg Pincus in the Business Applications division and takeovers of Strato and Drillisch (2017)

Management Board's overall statement on the current business situation

In the first six months of 2018, United Internet made further strong investments in new customer contracts and the expansion of existing customer relationships, and thus in sustainable growth. All in all, the number of fee-based customer contracts was raised by 530,000 to 23.17 million contracts. In its Access segment, the company added 470,000 contracts (430,000 mobile internet and 40,000 DSL connections). The Applications segment grew by 60,000 fee-based contracts and 390,000 ad-financed free accounts.

With this strong increase in customer contracts, sales growth of 30.4% to € 2.549 billion and an improvement in EBITDA of 31.5% to € 565.5 million, United Internet continued its dynamic development in the first six months of 2018.

At the same time, further heavy investments were made in customer retention and the expansion of existing customer relationships – thus laying the basis for future growth.

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.

With the figures for sales and earnings achieved in the first six months of 2018 and the investments already made, the Management Board believes that the company is well on track to meeting its targets and very well positioned for further growth.

Personnel report

As of June 30, 2018, the United Internet Group employed a total of 8,999 people. Compared to the previous year (8,387 employees), headcount increased by 612 staff or 7.3% – due in particular to the takeover of Drillisch (now 1&1 Drillisch) in the Access segment.

Of this total, 4,232 people were employed in the Access segment (prior year: 3,578), 4,315 in the Applications segment (prior year: 4,485) and 452 at the Group's headquarters (prior year: 324). The strong increase at the Group's headquarters and simultaneous decline in the Applications segment resulted from the transfer of employees who already performed corporate functions in the past.

Headcount in Germany rose by 661 employees or 9.6%, from 6,859 in the previous year to 7,520 on June 30, 2018. At the Group's companies outside Germany, headcount decreased by 49 or 3.2%, from 1,528 in the previous year to 1,479.

Multi-period overview: Headcount development (by domestic/foreign and segment); change over previous year

	June 30, 2014	June 30, 2015	June 30, 2016(1)	June 30, 2017(1)	June 30, 2018	Change
Employees, total	6,700	7,875	7,893	8,387	8,999	+ 7.3%
thereof in Germany	5,107	6,329	6,302	6,859	7,520	+ 9.6%
thereof abroad	1,593	1,546	1,581	1,528	1,479	- 3.2%
Access segment	1,956	3,105	3,411	3,578	4,232	+ 18.3%
Applications segment	4,709	4,647	4,291	4,485	4,315	- 3.8%
Headquarters	35	123	191	324	452	+ 39.5%

(1) After deconsolidation of affilinet in 2017; H1 2016 adjusted

Personnel expenses rose by 15.3% in the first six months of 2018, from € 230.5 million in the previous year to € 265.8 million. This increase was mainly due to the takeovers of Strato and 1&1 Drillisch. At the same time however, the personnel expense ratio fell year on year by 1.4 percentage points to 10.4% as a result of even stronger sales growth.

Multi-period overview: Development of personnel expenses (in € million); change over previous year

	H1 2014	H1 2015	H1 2016(1)	H1 2017(1)	H1 2018	Change
Personnel expenses	165.1	215.3	218.9	230.5	265.8	+ 15.3%
Personnel expense ratio	11.5%	11.8%	11.6%	11.8%	10.4%	

(1) After deconsolidation of affilinet in 2017; H1 2016 adjusted

Subsequent events

There were no significant events subsequent to the reporting date of June 30, 2018 which had a material effect on the financial position and performance of the company or the Group nor affected its accounting and reporting.

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.

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 half-year financial report, neither from individual risk positions nor from the overall risk situation.

From the current perspective, the main challenges focus on the areas of "political and legal" (slight increase due to regulatory and data privacy topics), "potential threats via the internet" (slight increase), as well as risks from the fields of "market" (slight decrease) and "personnel" (slight decrease). The further expansion of its risk management system enables United Internet to limit such risks to a minimum, where sensible, by implementing specific measures.

A positive contribution to earnings is expected from price adjustment talks currently being held between Group subsidiary 1&1 Drillisch and a wholesale supplier.

In the first six months of 2018, the overall risk and opportunity situation remained otherwise largely unchanged compared with the risk and opportunity report provided in the Annual Financial Statements 2017.

Forecast report

Economic prospects

After the first six months of 2018, the International Monetary Fund (IMF) adjusted its forecast for the global economy. In its updated economic outlook (World Economic Outlook, Update July 2018), the IMF is slightly more downbeat about growth prospects for the global economy. Although its growth forecast for the **global economy** as a whole is unchanged at 3.9% for the current year and next year, the IMF is more skeptical about the prospects for growth in major economies such as the UK, Japan and certain member states of the eurozone.

During the course of the year, the IMF has also adjusted many of its forecasts for the United Internet Group's main target markets.

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

	2019e	2018e	2017
World	3.9%	3.9%	3.7%
USA	2.7%	2.9%	2.3%
Canada	2.0%	2.1%	3.0%
Mexico	2.7%	2.3%	2.0%
Eurozone	1.9%	2.2%	2.4%
France	1.7%	1.8%	2.3%
Spain	2.2%	2.8%	3.1%
Italy	1.0%	1.2%	1.5%
UK	1.5%	1.4%	1.7%
Germany	2.1%	2.2%	2.5%

Source: International Monetary Fund, World Economic Outlook (Update), July 2018

Market and sector expectations

At its annual press conference on February 14, 2018, the industry association Bitkom forecast that **global ICT sales** would grow by 2.9% to € 3.29 trillion in 2018.

Bitkom expects the **ICT market in Germany** to grow by 1.7% (prior year: + 2.2%) to € 164.0 billion in 2018.

With an increase of 3.1% (prior year: +3.9%) to € 88.8 billion, the IT market is expected to show the strongest growth again in 2018. Within this sector, growth in the software segment will be the fastest by with an increase of 6.3% (prior year: +6.3%) to € 24.4 billion. IT services – which include project business and IT consulting – are also expected to reach growth of 2.6% (prior year: +2.3%) to € 40.0 billion. Only slight growth of 0.9% (prior year: +4.2%) to € 24.4 billion is expected for the IT hardware segment.

Growth in the telecommunications market is likely to remain modest. Sales are expected to grow by 0.4% (prior year: 0.1%) to € 65.9 billion. Sales of TC devices are set to grow by 1.3% (prior year: 4.7%) to € 10.7 billion. Smartphones are expected to account for € 10.1 billion of this total. Telecommunication infrastructure is forecast to grow by 1.4% (prior year: +0.5%) to € 6.7 billion (+0.5%), with growth of 0.1% (prior year: -1.0%) to € 48.5 billion for telecommunication services. A strong decline is anticipated for voice services in both the landline (-8.5%) and mobile (-8.3%) segments. By contrast, further growth is forecast for mobile data services (+ 6.0%).

Following growth in 2017, sales of consumer electronics are likely to fall again by 1.9% (prior year: +2.6%) to € 9.3 billion.

The most important ICT markets for United Internet's business model are the German broadband and mobile internet markets for its mostly subscription-financed Access segment, and the global cloud computing and German online advertising markets for its subscription- and ad-financed Applications segment.

(Stationary) broadband market in Germany

According to the survey "German Entertainment and Media Outlook 2017-2021", PricewaterhouseCoopers expects sales in the German broadband market (landline) to increase by 1.1% to € 8.15 billion in 2018.

Market forecast: broadband access (landline) in Germany (in € billion)

	2018e	2017	Change
Broadband sales	8.15	8.06	+ 1.1%

Source: PricewaterhouseCoopers, October 2017

Mobile internet market in Germany

All experts continue to predict further strong growth for the mobile internet market. For example, PricewaterhouseCoopers forecasts an increase in mobile data services of 5.8% to € 8.22 billion in 2018.

Market forecast: mobile internet access (cellular) in Germany

	2018e	2017	Change
Mobile internet sales	8.22	7.77	+ 5.8%

Source: PricewaterhouseCoopers, October 2017

Global cloud computing market

In an update of its study "Forecast Analysis: Public Cloud Services, Worldwide", Gartner forecasts global growth for public cloud services of 21.2%, from $ 153.1 billion to $ 185.5 billion in 2018.

Market forecast: global cloud computing (in $ billion)

	2018e	2017	Change
Global sales of public cloud services	185.5	153.1	+ 21.2%
thereof business process services (BPaaS)	46.2	42.5	+ 8.7%
thereof application services (SaaS)	73.3	60.1	+ 22.0%
thereof application infrastructure services (PaaS)	14.9	11.9	+ 25.2%
thereof system infrastructure services (IaaS)	40.6	29.9	+ 35.8%
thereof management and security services	10.5	8.7	+ 20.7%

Source: Gartner, December 2017

Online advertising market in Germany

PricewaterhouseCoopers expects the German online advertising market to grow by 6.1% to € 7.50 billion in 2018. The strongest growth is expected for mobile online advertising and search marketing with increases of 22.2% and 6.4%, respectively.

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

	2018e	2017	Change
Online advertising sales	7.50	7.07	+ 6.1%
thereof search marketing	3.68	3.46	+ 6.4%
thereof display advertising	1.54	1.52	+ 1.3%
thereof affiliate / classifieds	1.00	0.99	+ 1.0%
thereof mobile online advertising	0.88	0.72	+ 22.2%
thereof video advertising	0.40	0.38	+ 5.3%

Source: PricewaterhouseCoopers, October 2017

Expectations for the company

Forecast for the fiscal year 2018

Following the successful first six months of 2018, United Internet AG can confirm its full-year sales and earnings guidance for 2018 and continues to expect growth in sales to approx. € 5.2 billion (prior year acc. to IAS 18: € 4.21 billion). Consolidated EBITDA is still expected to reach approx. € 1.2 billion in 2018 (prior year acc. to IAS 18: € 980 million). Regarding the customer contracts in our Consumer Access the Company assumes that the continuously achieved growth of approximately 500,000 contracts per half year following the business combination of 1&1 and Drillisch will continue. Therefore the Company expects a growth of approximately one million contracts to approximately 13.64 million contracts in 2018. The Company has decided not to participate in the fiercer price competition in the mobile discount segment since May 2018 and consequently not to further increase the sales performance this year.

Management Board's overall statement on the anticipated development

The Management Board of United Internet AG continues to be upbeat about its prospects for the future. Thanks to a business model based predominantly on electronic subscriptions, United Internet believes it is largely stable enough to withstand cyclical influences. And with the investments made over the past few years in customer relationships, new business fields and internationalization, as well as via acquisitions and investments, the company has laid a broad foundation for its planned future growth.

United Internet will continue to pursue this sustainable business policy.

In the Consumer Access division, the main focus also in the second half of the year – apart from the integration of 1&1 Drillisch – will be on the marketing of mobile internet products, as well as the synchronization of branding and customer targeting in the premium and discount segments of the mobile market. United Internet aims to participate in market growth and achieve above-average growth. The company also plans to leverage the strong positioning of its DSL products to generate further growth. In its Business Access division, the company's own fiber-optic network is to be expanded with further connections to the BNGs (access points) of Deutsche Telekom, in order to extend the company's vertical integration.

In addition to the German market, international business with cloud applications also promises strong potential for the medium- and long-term growth of the company. In the second half of 2018, the key topics in the Consumer Applications division will remain the repositioning of GMX and WEB.DE, and the associated reduction in monetization via traditional advertising in favor of data-driven business models, as well as a focus on high-quality customer relationships. In the Business Applications division, the focus will continue to be on expanding business with existing customers and gaining new high-quality customer relationships, as well as integration and rebranding projects.

At the time of preparing this half-year financial report, the Management Board of United Internet AG believes that the company is on track to reach the sales and earnings guidance presented above in the section "Forecast for the fiscal year 2018".

Forward-looking statements

This half-year financial 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 interim report.

INTERIM FINANCIAL STATEMENTS

GROUP BALANCE SHEET

as of June 30, 2018 in €k

	June 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	111,817	238,522
Trade accounts receivable	309,476	289,995
Inventories	109,585	44,672
Contract assets	345,290	0
Prepaid expenses	84,982	92,291
Other financial assets	49,264	100,270
Other non-financial assets	33,059	58,166
	1,043,472	823,916
Non-current assets		
Shares in associated companies	420,611	418,048
Other financial assets	460,266	333,699
Property, plant and equipment	770,068	747,423
Intangible assets	1,281,196	1,393,339
Goodwill	3,576,907	3,579,780
Trade accounts receivable	51,366	53,576
Contract assets	141,233	0
Prepaid expenses	418,854	100,880
Deferred tax assets	9,650	155,151
	7,130,150	6,781,896
Total assets	**8,173,622**	**7,605,812**

	June 30, 2018	December 31, 2017
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Trade accounts payable	419,313	399,898
Liabilities due to banks	303,579	248,185
Advance payments received	0[1]	10,901
Income taxes liabilities	94,942	130,195
Contract liabilities	161,683	262,480[2]
Other accrued liabilities	41,188	49,412
Other financial liabilities	142,023	135,658
Other non-financial liabilities	52,656	47,753
	1,215,384	1,284,482
Non-current liabilities		
Liabilities due to banks	1,742,064	1,707,596
Deferred tax liabilities	394,264	390,734
Trade accounts payable	8,101	9,023
Contract liabilities	32,396	32,397[2]
Other accrued liabilities	98,805	33,485
Other financial liabilities	87,747	97,537
	2,363,376	2,270,772
Total liabilities	**3,578,760**	**3,555,254**
Equity		
Capital stock	205,000	205,000
Capital reserves	2,712,279	2,709,203
Accumulated profit	1,501,746	1,204,603
Treasury stock	-174,842	-189,384
Revaluation reserves	188,556	74,923
Currency translation adjustment	-13,973	-13,120
Equity attributable to shareholders of the parent company	**4,418,766**	**3,991,226**
Non-controlling interests	176,096	59,332
Total equity	**4,594,862**	**4,050,559**
Total liabilities and equity	**8,173,622**	**7,605,812**

(1) Due to first time adoption of IFRS 15 Advance payments received are included in contract liabilites.
(2) Due to first time adoption of IFRS 15 deferred revenues are shown under contract liabilities.

GROUP NET INCOME

from January 1 to June 30, 2018 in €k

	2018 January – June	2017 January – June
Sales	2,548,886	1,954,064
Cost of sales	-1,697,606	-1,272,905
Gross profit	**851,280**	**681,159**
Selling expenses	-344,084	-270,922
General and administrative expenses	-109,204	-85,173
Other operating expenses / income	-24,154	251
Operating result	**373,839**	**325,315**
Financial result	-13,096	-15,341
Amortization of financial assets	0	-19,757
Result from associated companies	-2,478	1,130
Pre-tax result	**358,264**	**291,347**
Income taxes	-114,798	-109,299
Net income from continuing operations	**243,466**	**182,048**
Net income from dicountinued operations	0	2,598
Net income before non-controlling Interests	**243,466**	**184,646**
Attributable to		
non-controlling interests	60,789	9,411
shareholders of United Internet AG	182,677	175,235

	2018 January – June	2017 January – June
Result per share of shareholders of United Internet AG (in €)		
- basic	0.91	0.88
- diluted	0.91	0.87
Result per share for continuing operations		
- basic	0.91	0.87
- diluted	0.91	0.86
Result per share for discontinued operations		
- basic	0.00	0.01
- diluted	0.00	0.01
Weighted average shares (in million units)		
- basic	200.04	200.02
- diluted	200.29	200.47
Statement of comprehensive income		
Net income	243,466	184,646
Items that may be reclassified subsequently to profit or loss		
Currency translation adjustment - unrealized	-1,275	-242
Categories that are not reclassified subsequently to profit or loss		
Market value changes of available-for-sale financial instruments before taxes	92,157	16,072
Tax effect	-72	0
Share in other comprehensive income of associated companies	835	-633
Other comprehensive income	91,645	15,197
Total comprehensive income	**335,111**	**199,842**
Attributable to		
non-controlling interests	61,976	9,368
shareholders of United Internet AG	273,135	190,474

GROUP CASH FLOW

from January 1 to June 30, 2018 in €k

	2018 January – June	2017 January – June
Cash flow from operating activities		
Net income	243,466	184,646
Net income (from discontinued operations)	0	2,598
Net income (from continuing operations)	243,466	182,048
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of intangible assets and property, plant and equipment	99,215	77,939
Amortization of intangible assets resulting from company acquisitions	92,468	26,640
Amortization of financial assets	0	19,757
Share-based payment expense	3,992	2,672
Result from equity accounted investments	2,478	-1,130
Share of profit of associated companies	0	19,823
Change in deferred taxes	-22,766	-11,594
Other non-cash positions	29	-547
Operative cash flow	**418,882**	**315,608**
Change in assets and liabilities		
Change in receivables and other assets	61,068	4,796
Change in inventories	-64,912	-25,538
Change in contract assets	-137,697	0
Change in deferred expenses	-106,976	-190
Change in trade accounts payable	31,706	6,319
Change in advance payments received	0	-4,848
Change in other accrued liabilities	-1,213	-544
Change in liabilities income taxes	-35,253	56,181
Change in other liabilities	6,214	45,869
Change in deferred income	-7,087	-3,121
Change in assets and liabilities, total	**-254,151**	**78,923**
Cash flow from operating activities (before capital gains tax refund)	**164,731**	**394,531**
Capital gains tax refund	0	70,293
Cash flow from operating activities for continuing operations	**164,731**	**464,824**
Cash flow from operating activities for discontinued operations	**0**	**5,445**
Cash flow from operating activities	**164,731**	**470,269**

	2018 January – June	2017 January – June
Cash flow from investing activities		
Capital expenditure for intangible assets and property, plant and equipment	-119,728	-98,592
Payments from disposals of intangible assets and property, plant and equipment	4,563	1,881
Payments for company acquisitions less cash received	0	-554,510
Purchase of shares in associated companies	-4,236	-89,573
Payments in connection with corporate transactions	-8,300	0
Payments from loans granted	-448	-525
Refunding from other financial assets	0	137
Cash flow from investing activities for continuing operations	**-128,149**	**-741,182**
Cash flow from investing activities for discontinued operations	**0**	**-334**
Cash flow from investing activities	**-128,149**	**-741,516**
Cash flow from financing activities		
Sale of treasury shares	0	-77,214
Taking out / repayment of loans	89,862	450,123
Redemption of finance lease liabilities	-7,902	-8,483
Dividend payments	-170,006	-159,703
Profit distributions to non-controlling interests	-75,542	0
Payments from minority shareholders	0	305,214
Cash flow from financial activities for continuing operations	**-163,588**	**509,937**
Cash flow from financial activities for discontinued operations	**0**	**34**
Cash flow from financing activities	**-163,588**	**509,971**
Net increase in cash and cash equivalents	-127,008	238,724
Cash and cash equivalents at beginning of fiscal year	238,522	101,743
Currency translation adjustments of cash and cash equivalents	303	-3,884
Cash and cash equivalents at end of reporting period	**111,817**	**336,583**

GROUP CHANGES IN SHAREHOLDERS' EQUITY

from January 1 to June 30, 2018 in €k

	Capital stock		Capital reserves	Accumulated profit	Treasury stock	
	Share	€k	€k	€k	Share	€k
Balance as of January 1, 2017	**205,000,000**	**205,000**	**377,550**	**724,213**	**3,370,943**	**-122,493**
Net income				175,235		
Other comprehensive income						
Total comprehensive income				**175,235**		
Purchase of treasury shares					2,000,000	-77,214
Issue of treasury stock				-5,497	-147,476	5,497
Employee stock ownership program			2,672			
Dividend payments				-159,703		
Transactions with shareholders			1,092,714			
Balance as of June 30, 2017	**205,000,000**	**205,000**	**1,472,936**	**734,248**	**5,223,467**	**-194,210**
Balance as of December 31, 2017	**205,000,000**	**205,000**	**2,709,203**	**1,204,603**	**5,093,289**	**-189,384**
Equity impacts due to new IFRS standards				299,014		
Balance as of January 1, 2018	**205,000,000**	**205,000**	**2,709,203**	**1,503,617**	**5,093,289**	**-189,384**
Net income				182,677		
Other comprehensive income						
Total comprehensive income				**182,677**		
Purchase of treasury shares						
Issue of treasury stock				-14,542	-391,087	14,542
Employee stock ownership program			3,076			
Dividend payments				-170,006		
Profit distributions						
Balance as of June 30, 2018	**205,000,000**	**205,000**	**2,712,279**	**1,501,746**	**4,702,202**	**-174,842**

Revaluation reserves	Currency translation adjustments	Equity attributable to shareholders of United Internet AG	Non-controlling interests	Total equity
€k	€k	€k	€k	€k
30,988	**-17,794**	**1,197,464**	**348**	**1,197,812**
		175,235	9,411	184,646
15,438	-199	15,239	-43	15,196
15,438	**-199**	**190,474**	**9,368**	**199,842**
		-77,214		-77,214
		0		0
		2,672		2,672
		-159,703		-159,703
-2,750	5,421	1,095,385	-193,354	902,031
43,676	**-12,572**	**2,249,078**	**-183,638**	**2,065,440**
74,923	**-13,120**	**3,991,226**	**59,332**	**4,050,559**
22,321		321,335	129,414	450,749
97,244	**-13,120**	**4,312,561**	**188,746**	**4,501,307**
		182,677	60,789	243,466
91,311	-854	90,457	1,187	91,645
91,311	**-854**	**273,135**	**61,976**	**335,111**
		0		0
		0		0
		3,076	916	3,992
		-170,006		-170,006
		0	-75,542	-75,542
188,556	**-13,974**	**4,418,765**	**176,096**	**4,594,862**

EXPLANATIONS FOR THE HALF-YEAR FINANCIAL REPORT

1. Information on the company

United Internet AG ("United Internet") 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 HRB 5762.

2. Significant accounting, measurement and consolidation principles

As was the case with the Consolidated Financial Statements as of December 31, 2017, the Interim Report of United Internet AG as of June 30, 2018 was prepared in compliance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU).

The condensed Interim Consolidated Financial Statements for the period January 1, 2018 to June 30, 2018 were prepared in accordance with IAS 34 – "Interim Financial Reporting".

A condensed reporting format was chosen for the presentation of these Interim Consolidated Financial Statements, as compared with the Consolidated Financial Statements, and are thus to be read in conjunction with the Consolidated Financial Statements as of December 31, 2017. With the exception of the mandatory new standards described below, the accounting and measurement principles applied in the condensed Interim Consolidated Financial Statements comply with the methods applied in the previous year.

Mandatory adoption of new accounting standards

The following standards were mandatory in the EU for the first time in the fiscal year beginning January 1, 2018:

Standard		Mandatory for fiscal years beginning on or after	Endorsed by EU Commission
IFRS 9	Financial Instruments	Jan. 1, 2018	Yes
IFRS 15 and Amendments to IFRS 15	Revenue from Contracts with Customers	Jan. 1, 2018	Yes
IFRS 2	Amendments to Classification and Measurement of Share-based Payment Transactions	Jan. 1, 2018	Yes
IFRS 1, IAS 28	Annual Improvements 2014-2016	Jan. 1, 2018	Yes
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Jan. 1, 2018	Yes

In July 2014, the IASB issued the final version of **IFRS 9** – "Financial Instruments" which replaces IAS 39 – "Financial Instruments: Recognition and Measurement" and all previous versions of IFRS 9. The introduction of the final version of IFRS 9 combined the three project phases of accounting for financial instruments "Classification and Measurement", "Impairment", and "Hedge Accounting". IFRS 9 is mandatory for the first time in fiscal years beginning on or after January 1, 2018. With the exception of hedge accounting, the standard is always to be applied retroactively, whereby no additional disclosures on comparative information are required. By contrast, the regulations concerning hedge accounting are generally to be applied prospectively, with a few exceptions.

The main impact for the United Internet Group results from the classification and measurement of assets classified as "available-for-sale". All financial assets of the Group held at fair value continue to be measured at fair value. Assets that are held as "available-for-sale" and whose gains or losses were recognized in other comprehensive income are measured at fair value either through profit or loss or directly in equity on a case-by-case basis. In the latter case, these assets continue to be recognized in other comprehensive income, but are no longer subsequently recycled to profit or loss.

United Internet exercised the option to report in accordance with the simplified first-time adoption of IFRS 9. The cumulative effect resulting from the transition to IFRS 9 was recognized directly in equity. There was also no retroactive adjustment of the corresponding comparative figures from previous years. The changes in balance sheet items for the reporting period resulting from conversion are presented below.

As a result of the conversion to IFRS 9, the required adjustment effects mainly comprise impairment on assets measured according to IFRS 15 for the first time and the remeasurement of available-for-sale assets previously measured at cost. The accumulated adjustment effects as of January 1, 2018 before consideration of deferred taxes amounted to € 23,055k and were recognized accordingly in retained earnings. The adjustment effects in connection with the remeasurement of available-for-sale assets previously measured at amortized cost amounted to € 34,036k as of January 1, 2018.

Financial assets previously classified according to the measurement categories of IAS 39 are to be allocated to the newly introduced measurement categories pursuant to IFRS 9. In the following table, United Internet presents the changes to the closing balances of these items in the form of a reconciliation to the applicable measurement categories of IFRS 9:

	Carrying amount as of Dec. 31, 2017 (IAS 39) €k	Reclassifications to other comprehensive income €k	Remeasurements €k	Carrying amount as of Jan. 1, 2018 (IFRS 9) €k
Fair value through other comprehensive income				
Additions:				
from available-for-sale financial assets - at fair value	291,285			291,285
from available-for-sale financial assets - at cost	8,720		34,036	42,756
Total fair value through other comprehensive income	**300,005**	**0**	**34,036**	**334,041**
Fair value through profit or loss				
Additions:				
from held-for-trading financial assets	17,890			17,890
Total fair value through profit or loss	**17,890**			**17,890**
Amortized cost				
Additions:				
from loans and receivables	638,937			638,937
	638,937	**0**	**0**	**638,937**
Total change	**956,832**	**0**	**34,036**	**990,868**

In the case of other non-current financial assets, adjustments must be made in the allocation to the measurement categories of IFRS 9. In accordance with IAS 39, equity instruments were previously recognized in the category "Available-for-sale financial assets". The Group's equity instruments which now fall within the scope of IFRS 9 are allocated to the category "At fair value through other comprehensive income without recycling to profit and loss". IFRS 9 makes no distinction with regard to the reliability of the estimate. In this connection, shares in Afilias which were previously measured at cost due to the low reliability of their measurement, are now measured at fair value.

No changes in measurement resulted from the allocation of financial liabilities to the new IFRS 9 measurement categories. The names of the measurement categories were merely adjusted to the new IFRS 9 terms. As before, there are still two measurement categories for financial liabilities: "At fair value through profit or loss" and "At amortized cost".

The following table presents the various classes of financial assets and liabilities. In accordance with the requirements of the new standard, the table contains an overview of the respective measurement categories and carrying amounts as at December 31, 2017 / January 1, 2018 in comparison to the previously applied IAS 39:

in €k	Measurement categories IAS 39	Measurement categories IFRS 9	Carrying amount as of Dec. 31, 2017 / Jan. 1, 2018 IAS 39	Carrying amount as of Dec. 31, 2017 / Jan. 1, 2018 IFRS 9	Difference amount
Financial assets					
Cash and cash equivalents	lar	ac	238,522	238,522	0
Trade accounts receivable					
– Receivables from finance leases	n/a	n/a	59,229	59,229	0
– Others	lar	ac	284,341	284,341	0
Other current financial assets	lar	ac	100,270	100,270	0
Other non-current financial assets					
– Investments	afs	fvoci	300,005	334,041	34,036
– Derivatives	fahft	fvtpl	17,890	17,890	0
– Others	lar	ac	15,804	15,804	0
Financial liabilities					
Trade accounts payable	flac	ac	-408,920	-408,920	0
Liabilities due to banks	flac	ac	-1,955,781	-1,955,781	0
Other financial liabilities					
– Finance leases	n/a	n/a	-91,787	-91,787	0
– Conditional purchase price obligation	flhft	fvtpl	-9,686	-9,686	0
– Others	flac	ac	-131,722	-131,722	0

IAS 39 categories	
lar	Loans and receivables
afs	Available-for-sale financial assets
fahft	Financial assets held for trading
flac	Financial liabilities measured at amortized cost
flhft	Financial liabilities held for trading

IFRS 9 categories	
ac	Measured at amortized cost
fvoci	Fair value – through other comprehensive income
fvtpl	Fair value – through profit and loss

The following table shows changes in allowances on financial assets following the transition from IAS 39 to IFRS 9 as of January 1, 2018:

Allowances on financial assets (in €k)

	Trade accounts receivable		Contract assets	Loans and other receivables	Total
Measurement categories					
acc. to IAS 39	lar	lar	n/a	lar	
acc. to IFRS 9	ac	fvoci	n/a	ac	
Allowances					
Balance acc. to IAS 39 (Dec. 31, 2017)	29,190	0	0	0	29,190
Additions in connection with change to IFRS 15			23,055		23,055
Balance acc. to IFRS 9 (Jan. 1, 2018)	29,190	0	23,055	0	52,245
Change in retained earnings	**0**	**0**	**23,055**	**0**	**23,055**

IFRS 15 – "Revenue from Contracts with Customers" was published in May 2014 and revised in April 2016. The standard implements a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. The new standard replaces the previous standards IAS 18 – "Revenue" and IAS 11 – "Construction Contracts". Either full or modified retroactive application of the standard is mandatory for fiscal years beginning on or after January 1, 2018.

The United Internet Group exercised its right to use the modified retrospective transitional method, i.e. all contracts not yet completely fulfilled on the transition date were treated as if they had been treated according to IFRS 15 from the beginning. The cumulative conversion effects were recognized in equity as of January 1, 2018. There is no obligation to adjust the comparative figures for previous periods and they continue to be included in the Consolidated Financial Statements in accordance with the applicable accounting standards of the time. In view of the large number of comparable customer contracts, United Internet has decided to use the so-called portfolio approach for the Access segment. The contract-by-contract approach was chosen for the Applications segment.

For the Access segment, the effects mainly concern the accounting of so-called multiple-element arrangements. Whereas under the previous regulations, revenue from sales of hardware supplies as part of a multiple-element arrangement was only recognized in the amount billed to the customer, the new regulations require a separation of the total price for the customer contract based on the relative standalone selling prices of the individual elements. The resulting revenue share allocated to hardware is recognized on delivery to the customer. As the allocated revenue share generally exceeds the amount charged to the customer, the new regulations lead to accelerated revenue recognition. At the same time, the revenue share attributable to hardware rises at the expense of revenue from the services rendered. Within the context of initial application of IFRS 15, pro-rata revenues for all current service contracts on January 1, 2018 with previously supplied subsidized hardware were recognized directly in equity. However, future revenue from the respective service contract is reduced by the revenue share allocated for hardware. On the basis of the individual product groups, the effects in the Applications segment are mainly reflected in different fulfillment dates for the individual performance obligations. The biggest impact in this respect results from revenue recognition at a specific point in time for domains. Product groups such as WebSpace or SaaS will continue to be recognized over a time period.

If the customer is granted material rights in the form of options to use additional goods or services, these represent an additional performance obligation that was included in the determination of the transaction price based on expected utilization.

The United Internet Group grants its customers time-limited promotion discounts on the basic fee and/or hardware at the time of contract conclusion. These discounts are included in the calculation of the transaction price, are allocated to the individual performance obligations by means of an allocation mechanism, and thus reduce revenue during the contract period.

The one-off fees invoiced to customers at the time of contract conclusion, such as customer activation fees, often do not constitute a favorable extension option and are therefore not to be recognized as a separate performance obligation. In this case, these one-off fees are part of the transaction price and are allocated to the identified performance obligations and recognized in accordance with their performance.

Within the context of the 1&1 Principle, United Internet grants its customers a voluntary 30-day right of cancellation. If customers make use of the 1&1 Principle and cancel their contracts, they have the right to be reimbursed for individual transaction components, such as one-off fees and basic fees which have been invoiced. Any usage fees are excluded from the reimbursement claim. In return, United Internet has the right to demand the return of any hardware supplied. United Internet takes account of the 1&1 Principle in calculating the transaction price and has thus integrated it into the calculation of revenue. Claims regarding the return of hardware resulting from the 1&1 Principle are disclosed separately to the reimbursement liability from invoiced one-off fees.

In determining the transaction price, a company shall adjust the promised consideration for the effects of a financing component if the timing of payments agreed to by the contracting parties provides the customer or the company with a significant benefit for financing the transfer of goods or services to the customer. In determining the transaction price, United Internet reviewed the materiality of a financing component. An analysis of the underlying contracts determined that no material benefit is to be assumed. However, a change in the assumed interest rates or tariffs could lead to a significant financing component in the future. The financing effect is therefore reviewed for materiality at regular intervals.

Moreover, the new regulations require the capitalization of contract costs. Provided that certain conditions are met, the costs of contract fulfillment (e.g. customer activation fees, expected termination fees) and the costs of contract initiation (e.g. sales commissions) must also be capitalized in future and spread over the estimated period of use.

Before IFRS 15 came into force, customer acquisition costs were recognized immediately as an expense in the statement of comprehensive income. In the course of initial recognition, contract fulfillment and contract initiation costs were capitalized for all service contracts running on January 1, 2018, thus leading to future expenses. Consequently, during the transitional period, customer acquisition costs already expensed under IAS 18 are expensed again in part due to IFRS 15.

An analysis of currently existing agreements as to whether United Internet markets products for its own account as the principle, or on behalf of a third party as agent, has shown that no material changes will result from the amended definition of the principal/agent role.

In addition to IFRS 9, the application of IFRS 15 has resulted in the following effects for the financial position and performance of the United Internet Group:

in €k	Carrying amount acc. to IAS 18 / IAS 11 as of Dec. 31, 2017	IFRS 15 adjustments	
		Remeasurement	Reclassification
ASSETS			
CURRENT ASSETS			
Trade accounts receivable and other receivables	289,995		
Contract assets	0	281.573	
Prepaid expenses	92,291	-27,656	
Other non-financial assets	58,166	2,226	
Other assets	383,464	0	
NON-CURRENT ASSETS			
Other financial assets	333,699	0	
Intangible assets	1,393,339	-15,025	
Contract assets	0	67,253	
Deferred tax assets	155,151	-139,011	
Prepaid expenses	100,880	231,346	
Other assets	4,798,827	0	
LIABILITIES			
CURRENT LIABILITIES			
Trade accounts payable and other liabilities	648,083	0	-13,212
Advance payments received	10,901		-10,901
Contract liabilities[1]	262,480	-110,476	24,113
Other accrued liabilities	49,412	2,021	
Other financial liabilities	135,658	725	
Other liabilities	177,948		
NON-CURRENT LIABILITIES			
Deferred tax liabilities	390,734	32,786	0
Contract liabilities[1]	32,397	-5,651	
Other accrued liabilities	33,485	64,588	
Other liabilities	1,814,156		
EQUITY			
Retained earnings including earnings carried forward plus non-controlling interests[2]	4,050,559	416,712	

(1) The items deferred revenue from the previous year are disclosed as contract liabilities.
(2) For reasons of simplification combined for the presentation of the accumulated effect on equity from the change to IFRS 15.

IFRS 9 adjustments Remeasurement	Carrying amount acc. to IFRS 9 / IFRS 15 as of Jan. 1, 2018	Carrying amount acc. to IAS 18 / IAS 11 as of June 30, 2018	Carrying amount acc. to IFRS 9 / IFRS 15 as of June 30, 2018	Difference IAS 18 / IAS 11 / IAS 39 vs. IFRS 15 / IFRS 9
	289,995	312,035	**309,476**	-2,559
	281,573	0	**345,290**	345,290
	64,635	111,562	**84,982**	-26,580
	60,392	30,219	**33,059**	2,840
	383,464	270,665	**270,665**	0
34,036	367,736	421,614	**460,266**	38,652
	1,378,314	1,295,238	**1,281,196**	-14,042
	67,253	0	**141,233**	141,233
	16,141	13,589	**9,650**	-3,939
	332,225	166,055	**418,854**	252,800
	4,798,827	4,818,952	**4,818,952**	0
	634,870	430,252	**419,313**	-10,939
	0	0	**0**	0
	176,117	266,109	**161,683**	-104,426
	51,432	30,017	**41,188**	11,170
	136,383	147,060	**142,023**	-5,037
	177,948	451,176	**451,176**	0
	423,519	206,387	**394,264**	187,876
	26,747	30,963	**32,396**	1,434
	98,073	38,350	**98,805**	60,455
	1,814,156	1,837,912	**1,837,912**	0
34,036	4,501,307	4,001,701	4,594,862	593,161

The remeasurement effects from IFRS 15 as of January 1, 2018 result mainly from the following items:

Recognition of contract assets amounting to € 407 million from the sale of goods and merchandise which, pursuant to IFRS 15, lead to accelerated revenue recognition compared to IAS 18.

The adjustments to prepaid expenses primarily relate to contract initiation and contract fulfillment costs (customer activation fees, termination fees etc.) amounting to € 137 million and € 124 million respectively, which result in a later recognition of expenses according to IFRS 15. Domain registration costs of € 57 million have an opposing effect. These are paid in advance to the respective registry at the beginning of the contract and were previously recognized as prepaid expenses. Following the transition to revenue recognition according to IFRS 15, the payment is now recognized directly as an expense.

The effects from the remeasurement of current other non-financial assets of € 2 million result from return claims for hardware from terminated contracts in connection with the 1&1 Principle.

The decline in intangible assets mainly results from the reclassification of the capitalized customer base from the Drillisch purchase price allocation, which in the course of transition to IFRS 15 is already recognized as a contract asset.

Advanced payments received and deferred revenue are disclosed according to their economic content in a summarized form under contract liabilities. The decline in contract liabilities results from the reversal in connection with domain revenue from the Applications segment. Under IAS 18, revenue was previously recognized on a time-period basis. Fees paid by customers at the beginning of the contract were recognized over the contract term as deferred revenue. The implementation of IFRS 15 led to a conversion from time period-related revenue recognition to recognition at a specific point in time. The previously recognized deferred revenue was therefore reversed.

The net balance of deferred taxes rose by € 172 million due mainly to accelerated revenue recognition from hardware sales. The decline in deferred tax assets had an opposing effect mainly on customer acquisition costs previously recognized as an expense.

Including deferred taxes, the conversion as of January 1, 2018 resulted in an increasing cumulative effect from IFRS 15 of € 417 million in total to be recognized in retained earnings (including the related components attributable to non-controlling interests).

Comparative figures for the items of the financial statements affected by first-time application of IFRS 15

The development of items of the financial statements according to IFRS 15 as of June 30, 2018, in comparison with accounting according to IAS 18, resulted mainly from the following effects:

- From the initial application and amortization of contract assets, from contract initiation and contract fulfillment costs included in prepaid expenses, and from other non-financial assets recognized for the first time due to the conversion to IFRS 15.
- From measurement differences in the recognition of deferred tax assets and liabilities resulting from IFRS 15 remeasurement effects in connection with initial application and their amortization in the first six months of 2018.

in €k	IFRS 15 H1 2018	IAS 18 / IAS 11 H1 2018	Change
SALES	**2,548,886**	**2,388,789**	**160,097**
Cost of sales	-1,697,606	-1,671,944	-25,662
Selling expenses	-344,084	-388,817	44,733
General and administrative expenses	-109,204	-108,451	-752
Other operating expenses / income	-24,154	-15,766	-8,389
OPERATING RESULT	**373,839**	**203,811**	**170,028**
Financial result	-13,096	-13,096	0
Result from associated companies	-2,478	-2,478	0
FINANCIAL RESULT	**-15,574**	**-15,574**	**0**
PRE-TAX RESULT	**358,264**	**188,237**	**170,028**
Income taxes	-114,798	-75,117	-39,681
NET INCOME	**243,466**	**113,120**	**130,346**

Without consideration of IFRS 15, sales would amount to € 2,389 million and would thus be € 160 million lower. This effect results mainly from accelerated revenue recognition of hardware sales. There is an opposing effect from the amortization of capitalized contract assets and contract liabilities over the (remaining) contract term in the first half of 2018.

Cost of sales without consideration of IFRS 15 would total € 1,672 million and would thus be € 26 million lower in total.

Selling expenses without consideration of IFRS 15 would be € 389 million and thus € 45 million higher in total. This effect results from the periodization of contract initiation costs according to IFRS 15.

General and administrative expenses would be € 108 million without consideration of IFRS 15 and thus slightly lower in total than according to IFRS 15.

In the reporting period, the Group reversed contract costs of € 85,067k with an effect on expenses. Of this total, contract initiation costs accounted for € 41,465k and contract fulfillment costs for € 43,602k.

No significant effects are expected from further IFRS amendments.

Use of estimates and assumptions

The preparation of the condensed Interim Consolidated Financial Statements 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.

The calculation of contract costs is based on discretionary decisions and estimates. Any change in these assumptions and estimates can therefore have an impact on the amount and timing of contract cost recognition. These estimates and discretionary decisions are mainly reflected in the assumptions about the respective estimated amortization periods for contract costs and the assumption of the expected amount of certain contract fulfillment costs (e.g. termination fees), as well as assumptions to be made in the context of impairment tests to determine the recoverability of contract costs. There were no effects from changes in assumptions and estimates during the reporting period.

Certain assumptions and estimates are made in the portfolio approach which in turn are based on past experience and available evidence as of the respective reporting date. Changes in these assumptions and estimates may therefore also impact the amount and timing of revenue recognition. The stated individual selling prices correspond to observable market prices.

Miscellaneous

The Interim Consolidated Financial Statements include all subsidiaries and associated companies.

The following companies were renamed in the reporting period 2018:

- 1&1 Drillisch AG, Maintal (formerly: Drillisch AG, Maintal)
- United Internet Corporate Holding SE, Montabaur (formerly: Atrium 121. Europäische VV SE, Berlin)
- United Internet Management Holding SE, Montabaur (formerly: Atrium 113. Europäische VV SE, Düsseldorf)
- United Internet Investments Holding AG & Co. KG, Montabaur (formerly: United Internet Investments Holding GmbH, Montabaur)

Otherwise, the consolidated group remained largely unchanged from that stated in the Consolidated Financial Statements as at December 31, 2017.

These Interim Consolidated Financial Statements were not audited according to Sec. 317 HGB nor reviewed by an auditor.

EXPLANATION OF ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

3. Segment reporting

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

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" segments and the reporting segment "Applications".

Segment reporting of United Internet AG for the reporting period January 1 to June 30, 2018 and January 1 to June 30, 2017 was as presented in the tables on the right page.

In the reporting period, the Group disclosed bad debt allowances for trade accounts receivable from contracts with customers. This amount is stated gross within other operating expenses and amounts to € 42,526k. If the item had still been disclosed according to IAS 18, it would have amounted to € 33,394k.

As of the reporting date, the closing balances of capitalized contract costs for contract initiation costs amounted to € 153 million and for contract fulfillment costs to € 128 million.

4. Personnel expenses

Personnel expenses amounted to € 265,788k in the reporting period of 2018 (prior year: € 230,513k). At the end of June 2018, United Internet employed a total of 8,999 people, of which 1,479 were employed outside Germany. The number of employees at the end of June 2017 amounted to 8,387 people, of which 1,528 were employed outside Germany.

5. Depreciation and amortization

Depreciation and amortization of intangible assets and property, plant and equipment amounted to € 99,215k (prior year: € 77,939k).

Amortization of capitalized intangible assets resulting from business combinations amounted to € 92,468k (prior year: € 26,640k).

Total depreciation and amortization of intangible assets and property, plant and equipment thus amounted to € 191,683k (prior year: € 104,579k).

January – June 2018	Access segment €k	Applications segment €k	Corporate segment €k	Reconciliation €k	United Internet Group €k
Segment revenues	2,001,739	557,100	90	-10,043	2,548,886
- thereof domestic	2,001,739	361,579	90	-10,043	2,363,408
- thereof non-domestic	0	195,521	0	–	195,521
EBITDA	365,851	203,308	-3,637	–	565,522
EBIT	221,743	155,829	-3,733	–	373,839
Financial result					-13,096
Result from at-equity companies					-2,479
EBT					358,264
Tax expense					-114,798
Net income (from continued operations)					**243,466**
Net income after taxes from discontinued operations					–
Net income (after discontinued operations)					**243,466**
Investments in intangible assets, property, plant and equipment (without goodwill)	91,609	26,877	3,683	–	122,169
Amortization/depreciation	144,108	47,479	96	–	191,683
- thereof intangible assets and property, plant and equipment	69,774	29,345	96	–	99,215
- thereof assets capitalized during company acquisitions	74,334	18,134	0	–	92,468
Number of employees (from continued operations)	4,232	4,315	452	–	8,999
- thereof domestic	4,232	2,836	452	–	7,520
- thereof non-domestic	0	1,479	0	–	1,479

January – June 2017	Access segment €k	Applications segment €k	Corporate segment €k	Reconciliation €k	United Internet Group €k
Segment revenues	1,474,434	493,757	98	-14,225	1,954,064
- thereof domestic	1,474,434	302,423	98	-14,225	1,762,730
- thereof non-domestic	0	191,334	0	0	191,334
EBITDA	259,972	176,088	-6,166	–	429,894
EBIT	191,562	140,037	-6,284	–	325,315
Financial result					-15,341
Writedowns on investments					-19,757
Result from at-equity companies					1,130
EBT					291,347
Tax expense					-109,299
Net income (from continued operations)					**182,048**
Net income after taxes from discontinued operations					2,598
Net income (after discontinued operations)					**184,646**
Investments in intangible assets, property, plant and equipment (without goodwill)	83,624	23,313	105	–	107,042
Amortization/depreciation	68,410	36,051	118	–	104,579
- thereof intangible assets and property, plant and equipment	52,232	25,589	118	–	77,939
- thereof assets capitalized during company acquisitions	16,178	10,462	0	–	26,640
Number of employees (from continued operations)	3,578	4,485	324	–	8,387
- thereof domestic	3,578	2,957	324	–	6,859
- thereof non-domestic	0	1,528	0	–	1,528

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.

6. Shares in associated companies

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

	2018 €k
Carrying amount at the beginning of the fiscal year	418,018
Additions	4,236
Adjustments	
- Dividends	0
- Shares in result	-2,478
- Other	836
Disposals	0
Carrying amount on June 30, 2018	**420,611**

Additions mainly refer to a capital increase of Uberall.

7. Other financial assets

The development of these shares was as follows:

			Amortization of revaluation reserve not recognized in income					
	Jan. 1, 2018 €k	Additions €k	Recycling €k	Change €k	Impair-ment €k	Reclassifi-cation €k	Disposals €k	June 30, 2018 €k
AdUX shares	1,386			-170				1,216
Afilias shares	42,720			4,860				47,580
Rocket Internet shares	289,899			87,395				377,294
Others	33,694	448					34	34,176
	367,699	**448**	**0**	**92,085**	**0**	**0**	**34**	**460,266**

On initial application of IFRS 9 as of January 1, 2018, the shares in Afilias were measured at fair value. These shares were revalued as of June 30, 2018. The carrying amount of shares in Rocket Internet rose as a result of the positive share price trend. In previous years, the Rocket Internet shares were written down by a total of € 274 million. The corresponding reversal as of June 30, 2018 amounted to € 87 million. Due to the initial application of IFRS 9, this contribution to earnings was recognized in other comprehensive income.

8. Property, plant and equipment

A total of € 122,169k (prior year: € 107,042k) was invested in property, plant and equipment and intangible assets during the interim reporting period. Investments focused mainly on telecommunication equipment and software.

Goodwill of € 3,576,907k disclosed as of June 30, 2018 includes assets belonging to the Access segment of € 2,576,721k.

9. Non-current prepaid expenses

Non-current prepaid expenses mainly comprise contract costs (contract initiation and contract fulfillment costs) as well as prepayments made in connection with long-term procurement contracts.

10. Liabilities due to banks

	2018 €k	2017 €k
Bank loans	2,045,643	1,955,781
Less Current portion of liabilities due to banks	-303,579	-461,890
Non-current portion of liabilities due to banks	**1,742,064**	**1,493,891**
Short-term loans/overdrafts	303,579	461,890
Current portion of liabilities due to banks	**303,579**	**461,890**
Total	**2,045,643**	**1,955,781**

Liabilities due to banks result mainly from promissory note loans and syndicated loans.

11. Other current financial liabilities

Current financial liabilities consist mainly of marketing and selling expenses, salary liabilities, and liabilities resulting from finance leases.

12. Other non-current financial liabilities

Non-current financial liabilities result largely from liabilities from finance leases.

13. Capital stock / treasury shares

As of June 30, 2018, the fully paid-in capital stock amounted to € 205,000,000 (unchanged from December 31, 2017) divided into 205,000,000 registered no-par shares with a theoretical share in the capital stock of € 1 each.

As of the reporting date, United Internet held 4,702,202 treasury shares (prior year: 5,093,289).

14. Reserves

The year-on-year change in the accumulated result is mainly due to the initial application of IFRS 15 and IFRS 9.

The change in revaluation reserves results mainly from the subsequent valuation of shares in Rocket Internet SE and AdUX S.A., France. Please see Note 7 for details.

OTHER ITEMS

15. Employee stock ownership plans

Stock Appreciation Rights (SAR)

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

	United Internet AG	
	SAR	Average strike price (€)
Outstanding as of December 31, 2017	1,415,000	29.46
expired / forfeited	-56,250	43.76
exercised	-12,500	44.06
exercised	-160,000	31.15
exercised	-15,000	30.11
exercised	-325,000	16.06
exercised	-18,750	43.76
exercised	-25,000	32.79
exercised	-75,000	21.95
exercised	-30,000	43.49
Outstanding as of June 30, 2018	**697,500**	**33.59**

The expense from stock appreciation rights (SARs) in the first six months amounted to € 539k.

Employee stock ownership plan (ESOP)

Expenses for the employee stock ownership plan comprise both personnel expenses from the discounted sale of shares in United Internet AG to participating employees (investment expense) and from the granting of United Internet AG shares on expiry of 2 years (matching expense).

Expenses for the employee stock ownership plan in fiscal year 2018 included personnel expenses from the granting of United Internet AG shares on expiry of 2 years (matching expense) and amounted to € 443k.

Long Term Incentive Plan (LTIP)

In fiscal year 2018, expenses of € 3,010k were incurred in connection with LTIP employee stock ownership plans.

16. Additional details on financial instruments

The table on the right page presents the carrying amounts of each category of the financial assets and liabilities as of June 30, 2018.

With the exception of trade accounts receivable in connection with finance leases, cash and cash equivalents, trade accounts receivable, and other current financial assets mostly have short remaining terms. Their carrying amounts on the balance sheet date are thus similar to fair value.

In the case of the remaining other non-current assets carried at amortized cost, it is assumed that their carrying amounts correspond to fair value.

The fair value of listed financial assets is always calculated on the basis of the share price.

The fair value of unquoted instruments, loans from banks and other financial liabilities, as well as other non-current financial liabilities, is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Due to changed interest rates, there are slight deviations between the carrying amount and fair value of receivables and liabilities in connection with finance leases.

Trade accounts payable mostly have short remaining terms. Their carrying amounts on the balance sheet date are thus similar to fair value. The same applies to current liabilities due to banks.

In the case of the remaining other non-current financial liabilities carried at amortized cost, it is assumed that their carrying amounts correspond to fair value.

Hierarchy of assets and liabilities measured at fair value:

	As of June 30, 2018 €k	Level 1 €k	Level 2 €k	Level 3 €k	As of Dec. 31, 2017 €k	Level 1 €k	Level 2 €k	Level 3 €k
Financial assets at fair value through other comprehensive income without recycling to profit and loss	426,090	378,510		47,580	291,285	291,285		
Financial assets at fair value through profit or loss	16,731			16,731	17,890			17,890
Financial liabilities at fair value through profit or loss	-11,751			-11,751	-9,686			-9,686

The hierarchies for determining and disclosing the fair value of financial instruments by measurement method did not change from that used as of December 31, 2017.

	Measure-ment category acc. to IFRS 9	Carrying amount on June 30, 2018 €k	Valuation acc. to IAS 39				Fair value as of June 30, 2018 €k
			Amortized cost €k	Fair value through other comprehensive income without recycling to profit and loss €k	Fair value through profit or loss €k	Measure-ment acc. to IAS 17 €k	
Financial assets							
Cash and cash equivalents	ac	111,817	111,817				111,817
Trade accounts receivable							
- Receivables from finance leases	n/a	56,884				56,884	59,306
- Others	ac	243,086	243,086				243,086
Other current financial assets	ac	49,264	49,264				49,264
Other non-current financial assets							
At amortized cost	ac	17,445	17,445				17,445
At fair value through other comprehensive income	fvoci	426,090		426,090			426,090
At fair value through profit or loss	fvtpl	16,731			16,731		16,731
Financial liabilities							
Trade accounts payable	ac	427,414	427,414				427,414
Liabilities due to banks	ac	2,045,643	2,045,643				2,059,131
Other financial liabilities							
- Finance leases	n/a	85,982					
- At fair value through profit or loss	fvtpl	11,751			11,751		11,751
- Others	ac	132,036	132,036				132,036
Of which aggregated acc. to valuation categories:							
Financial assets at amortized cost	ac	421,611	421,611	0	0	0	421,611
Financial assets at fair value through other comprehensive income without recycling to profit and loss	fvoci	426,090	0	426,090	0	0	426,090
Financial assets at fair value through profit or loss	fvtpl	16,731	0	0	16,731	0	16,731
Financial liabilities measured at amortized cost	ac	2,605,093	2,605,093	0	0	0	2,618,581
Financial liabilities measured at fair value through profit or loss	fvtpl	11,751	0	0	11,751	0	11,751

17. 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 reporting date as at December 31, 2017.

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, 2018 is shown in the following table:

Management Board	**Shares (units)**
Ralph Dommermuth	82,000,000
Frank Krause	5,482
Total	**82,005,482**

Supervisory Board	**Shares (units)**
Kurt Dobitsch	0
Kai-Uwe Ricke	0
Michael Scheeren	0
Total	**0**

United Internet´s premises in Montabaur and Karlsruhe are leased in part from Mr. Ralph Dommermuth. The resulting rent expenses are customary and amounted to € 4,529k in the reporting period (prior year: € 4,370k).

In addition, the United Internet Group can exert a material influence on its associated companies.

No significant transactions took place.

18. Subsequent events

As of the date of preparing these Interim Consolidated Financial Statements, there were no other 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 13, 2018

United Internet AG

Ralph Dommermuth   Frank Krause

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable accounting principles for interim reporting, the Interim Consolidated Financial Statements give, in compliance with generally accepted accounting principles, a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Interim 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 in the remaining fiscal year.

Montabaur, August 13, 2018

The Management Board

Ralph Dommermuth Frank Krause

NET INCOME

Quarterly development in € million

	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q2 2017
Sales	1,054.2	1,198.1	1,270.7	1,278.2	1,001.4
Cost of sales	-651.6	-764.6	-851.2	-846.4	-661.7
Gross profit	**402.6**	**433.4**	**419.5**	**431.7**	**339.7**
Selling expenses	-162.9	-204.5	-169.8	-174.3	-135.3
General and administrative expenses	-46.7	-53.3	-55.1	-54.2	-42.4
Other operating expenses / income	296.7	-31.8	-11.8	-12.3	-2.6
Operating result	**489.8**	**143.9**	**182.9**	**190.9**	**159.4**
Financial result	-12.3	-13.2	-6.7	-6.4	-8.0
Result from associated companies	-5.6	-3.0	-3.8	1.4	0.5
Pre-tax result	**471.9**	**127.8**	**172.3**	**185.9**	**151.9**
Income taxes	-56.1	-77.1	-56.5	-58.3	-60.8
Net income before non-controlling interests	**415.8**	**50.7**	**115.8**	**127.6**	**91.1**
Net income from dicountinued operations	-0.3	36.3	0.0	0.0	0.8
Net income before non-controlling Interests	**415.5**	**87.0**	**115.8**	**127.6**	**91.9**
Attributable to					
non-controlling interests	12.5	14.7	32.3	28.4	7.9
shareholders of United Internet AG	403.0	72.2	83.5	99.2	84.1
Result per share of shareholders of United Internet AG (in €)					
- basic	2.02	0.36	0.42	0.50	0.42
- diluted	2.01	0.36	0.42	0.50	0.42
Result per share for continuing operations (in€)					
- basic	2.02	0.18	0.42	0.50	0.42
- diluted	2.01	0.18	0.42	0.50	0.42
Result per share for discontinued operations (in €)					
- basic	0.00	0.18	0.00	0.00	0.00
- diluted	0.00	0.18	0.00	0.00	0.00

FINANCIAL CALENDAR

March 22, 2018	Annual financial statements for fiscal year 2017 press and analyst conference
May 9, 2018	Interim Statement for the first quarter 2018
May 24, 2018	Annual Shareholders' Meeting, Alte Oper, Frankfurt/Main
August 13, 2018	6-Month Report 2018 press and analyst conference
November 13, 2018	Interim Statement for the first 9 months 2018

IMPRINT

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Registry court: Montabaur HRB 5762

Due to calculation processes, tables and references may produce rounding differences from the mathematically exact values (monetary units, percentage statements, etc.).

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

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