Half-year financial report 2019

SELECTED KEY FIGURES

	June 30, 2019 (IFRS 16)	June 30, 2018 (IFRS 15)	Change
NET INCOME (IN € MILLION)			
Sales	2,575.8	2,548.9	+ 1.1%
EBITDA	630.0	565.5	+ 11.4%
EBIT	390.8	373.8	+ 4.5%
EBT[1]	363.5	358.3	+ 1.5%
EPS (in €)[1]	1.01	0.91	+ 11.0%
EPS before PPA writedowns (in €)[1]	1.25	1.16	+ 7.8%
BALANCE SHEET (IN € MILLION)			
Current assets	1,401.6	1,043.5	+ 34.3%
Non-current assets	6,984.3	7,130.2	-2.0%
Equity	4,809.3	4,594.9	+ 4.7%
Equity ratio	57.3%	56.2%	
Total assets	8,385.9	8,173.6	+ 2.6%
CASH FLOW (IN € MILLION)			
Operative cash flow	465.4	418.9	+ 11.1%
Cash flow from operating activities	246.0	164.7	+ 49.4%
Cash flow from investing activities	- 68.6	- 128.1	
Free cash flow[2]	190.7	84.3	+ 126.2%
EMPLOYEES (HEADCOUNT)			
Total as of June 30	9,156	8,999	+ 1.7%
thereof Germany	7,573	7,520	+ 0.7%
thereof abroad	1,583	1,479	+ 7.0%
SHARE (IN €)			
Share price as of June 30 (Xetra)	28.96	49.06	- 41.0%
CUSTOMER CONTRACTS (IN MILLION)			
Consumer Access, total contracts	13.92	13.04	+ 0.88
thereof mobile internet	9.58	8.73	+ 0.85
thereof broad connections	4.34	4.31	+ 0.03
Consumer Applications, total accounts	39.21	38.31	+ 0.90
thereof with Premium Mail subscription (contracts)	1.54	1.54	+ 0.00
thereof with Value-Added subscription (contracts)	0.72	0.71	+ 0.01
thereof free accounts	36.95	36.06	+ 0.89
Business Applications, total contracts	8.11	7.81	+ 0.30
thereof Germany	3.86	3.79	+ 0.07
thereof abroad	4.25	4.02	+ 0.23
Fee-based customer contracts, total	24.29	23.10	+ 1.19

(1) EBT and EPS H1 2019 without Tele Columbus impairment charges (EBT effect: € -34.2 million; EPS effect: € -0.17)
(2) Free cash flow H1 2018 without consideration of a tax payment from fiscal year 2016 (free cash flow effect: € -34.7 million); free cash flow H1 2019 without consideration of a capital gains tax payment of € 18.9 million and tax payments of € 23.4 million from fiscal year 2017 and previous years

CONTENT

Dear shareholders, employees, and business associates of United Internet,

United Internet AG can look back on a successful first six months of 2019. In the highly competitive environment of our Consumer Access segment, we once again succeeded in visibly increasing our high-margin service revenues. The same applies to our Business Access segment, where we were able to achieve significant growth in revenue and earnings and increasingly exploit the potential of our own fiber-optic network.

At the same time, we continued to drive forward the repositioning of our portals and the establishment of data-driven business models in the Consumer Applications segment and our rebranding program in the Business Applications segment with the new "1&1 IONOS" brand (formerly: "1&1 Internet") – thus taking a further step toward the targeted IPO. Following a transition phase, the latter will take place in future under the independent "IONOS" brand.

In addition, we made strong investments in new customer contracts and the expansion of our existing customer relationships in the first half of 2019. In total, we increased the number of fee-based customer contracts by 440,000 to 24.29 million contracts. Of this total, 380,000 contracts were added in the Consumer Access segment. A further 10,000 and 50,000 contracts resulted from the Consumer Applications and Business Applications segments, respectively.

Consolidated sales grew by 1.1% in the first half of 2019, from € 2,548.9 million in the previous year to € 2,575.8 million. This at first glance only moderate growth was due in particular to fluctuations during the year in (low-margin) hardware sales (€ -41.4 million compared to the previous year), as well as sales effects from increased demand for LTE mobile tariffs among existing customers (sales reduced by € -23.1 million due to lower basic prices in the first year of the contract; prior-year: € -4.5 million) in the Consumer Access segment. In addition, there is the reduction in ad space started in April 2018 as part of a repositioning in the Consumer Applications segment (€ -11.2 million; prior year: € -4.7 million).

Earnings before interest, taxes, depreciation and amortization (EBITDA) were positively influenced by the initial application of IFRS 16 (€ +44.3 million) in the first half of 2019. In addition to one-off expenses already announced (€ -2.3 million; prior year: € -7.7 million), there were opposing effects in the Consumer Access segment from preliminary additional costs (€ -37.1 million) for wholesale purchases after the time-limited adjustment mechanism of a wholesale agreement expired at the end of 2018. Contrary to our original expectations, no decision has been taken yet regarding a replacement or compensation for the expired arrangement. However, the corresponding wholesale prices are currently the subject of arbitration proceedings, in the course of which a binding decision on the type and amount of a permanent price adjustment will now be made by the end of October. We expect this expert decision to result in lower wholesale prices with a retrospective effect. Furthermore, our future investments (implemented as planned), such as the repositioning of the Consumer Applications segment (€ -9.9 million; prior year: € -5.1 million) and an increase in marketing expenses in the Business Applications segment (€ -26.8 million), had an initial negative effect on earnings. Increased marketing expenses included a one-off amount of € -13.7 million for rebranding measures (prior year: one-offs of € -6.2 million for integration projects). All in all, EBITDA rose by 11.4% in the first half of 2019, from € 565.5 million to € 630.0 million. The comparable growth according to IFRS 15 amounted to 3.6%.

Earnings before interest and taxes (EBIT) were virtually unaffected by IFRS 16 accounting and rose by 4.5%, from € 373.8 million to € 390.8 million. EBIT also includes the above mentioned burdens on earnings and one-offs.

Earnings per share (EPS) fell from € 0.91 to € 0.84. This was due to non-cash impairment charges on shares held in Tele Columbus of € -34.2 million (EPS effect: € -0.17) as a result of closing-date effects. An amount of € -43.1 million was recognized for this item in the first quarter and the amount is to be updated during the year depending on the share price. Without consideration of impairment charges, operating EPS would amount to € 1.01 – corresponding to year-on-year growth of 11.0%. EPS before PPA rose from € 1.16 to € 1.25.

Due in particular to weaker sales in our (low-margin) hardware business and increased demand for LTE mobile tariffs among existing customers during the year, we are updating our sales guidance for the fiscal year 2019. Adjusted for hardware, sales are now expected to rise by approx. 3%. Including hardware sales, total sales are expected to increase by approx. 2% (previously: approx. 4%). As a result of the low earnings contribution of the hardware business and the advantageous LTE purchasing model, this will have no significant impact on EBITDA.

Due to the revision of subscriber line charges after planning for 2019 was completed (increase as of July 2019 by approx. € -10 million) and initial costs in connection with planning and preparations for our 5G mobile network (approx. € -5 million), we are updating our EBITDA guidance to growth of approx. 11% instead of previously approx. 12% (or approx. 7% instead of previously approx. 8% according to IFRS 15).

In addition to the above mentioned success in our operating business, we successfully participated – via our subsidiary 1&1 Drillisch – in the 5G spectrum auction ending on June 12, 2019 and purchased two frequency blocks of 2 x 5 MHz in the 2 GHz band and five frequency blocks of 10 MHz in the 3.6 GHz band. The total auction price amounted to around € 1.07 billion, of which around € 735 million is due for the frequency blocks in the 3.6 GHz band within 65 banking days after bid acceptance, according to the auction conditions. A further approx. € 335 million for the frequency blocks in the 2 GHz band is payable up to June 30, 2024, as this spectrum will not be available until January 1, 2026. Up to this time, 1&1 Drillisch has the possibility to rent frequencies in the amount of 2x10 MHz in the 2.6 GHz band from Telefónica Germany on the basis of the commitments given by Telefónica Germany as part of the EU's clearance of its merger with E-Plus. This spectrum will be available until December 31, 2025.

With this spectrum acquisition, we have laid the foundation for a successful and permanent positioning of the 1&1 Drillisch Group as Germany's fourth mobile network provider and intend to establish a powerful mobile communications network.

We are 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 the 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 business associates for the trust they continue to place in United Internet AG.

Montabaur, August 15, 2019

Ralph Dommermuth

INTERIM GROUP MANAGEMENT REPORT FOR THE FIRST HALF YEAR OF 2019

Principles of the Group

Business model

Founded in 1988 and headquartered in Montabaur, Germany, United Internet AG is a leading European internet specialist with 24.29 million (prior year: 23.10 million) fee-based customer contracts and 36.95 million (prior year: 36.06 million) ad-financed free accounts around the world.

The Group's operating activities are divided into the two business divisions "Access" and "Applications", which in turn are divided into the reporting segments "Consumer Access" and "Business Access", as well as "Consumer Applications" and "Business Applications".

Access division
The Access division, with its two segments Consumer Access and Business Access, comprises United Internet's fee-based access products for consumers and business customers. In the consumer business, these include broadband and mobile access products with the respective applications (such as home networks, online storage, telephony, video-on-demand or IPTV), while the business segment offers data and network solutions for small and medium-sized enterprises (SMEs), as well as infrastructure services for large corporations.

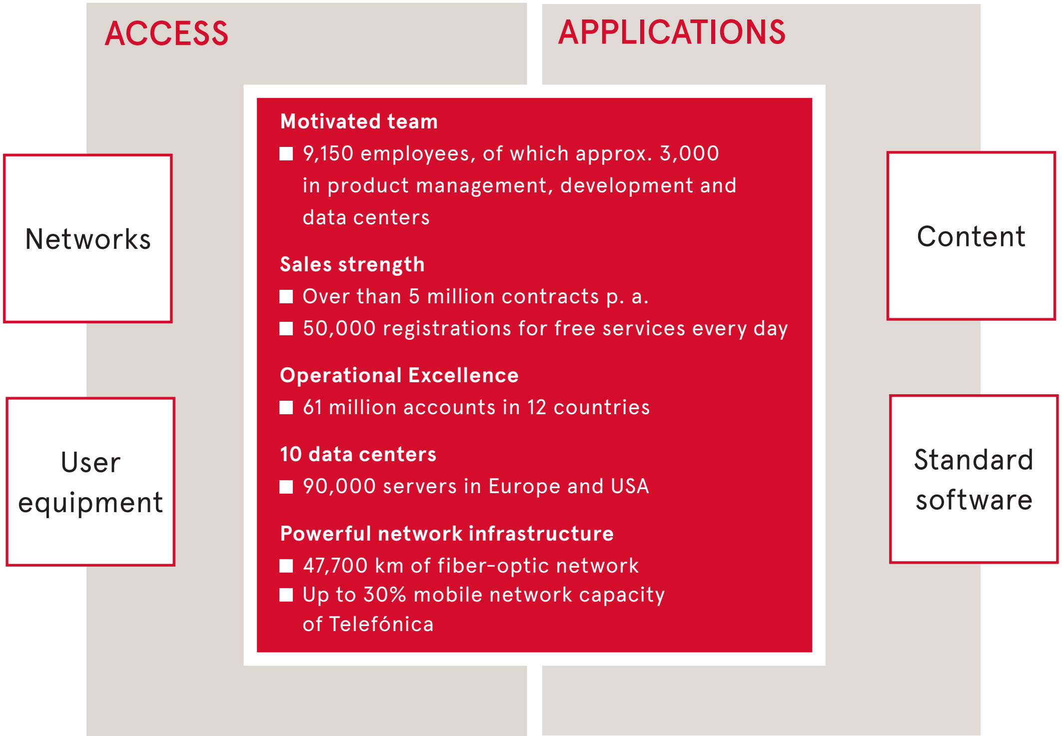
With a current length of around 47,700 km, United Internet operates one of Germany's largest fiber-optic networks. Moreover, the company is the only MBA MVNO in Germany – indirectly via 1&1 Drillisch AG, acquired in 2017 – with long-term rights to a share of up to 30% of the used network capacity of Telefónica Germany and thus extensive access to one of Germany's largest mobile communications networks. In addition to the company's own landline network and privileged access to the Telefónica network, United Internet 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 the Access division, United Internet operates exclusively in Germany, where it is one of the leading providers.

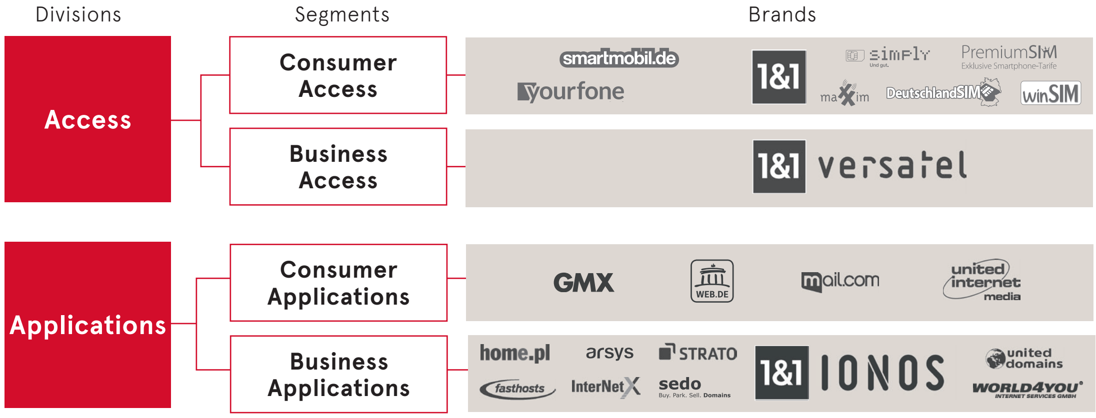
Access products are marketed via well-known brands, such as 1&1, or the discount brands of Drillisch Online, yourfone and smartmobil.de, which enable the company to offer a comprehensive range of products while also targeting specific customer groups.

Applications division
The Applications division, with its two segments Consumer Applications and Business Applications, comprises ad-financed and fee-based applications for consumers and business customers. These include domains, websites, web hosting, servers and e-shops, Personal Information Management applications (e-mail, to-do lists, appointments, addresses), group work, online storage and office software.

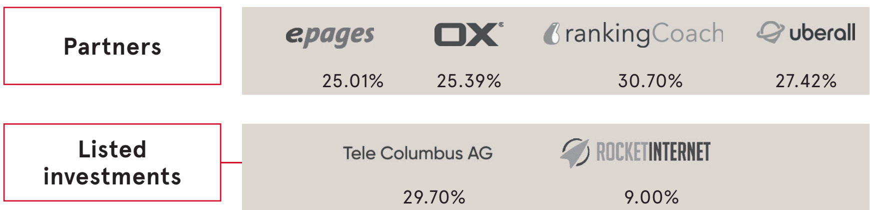
Business Model



Divisions, segments and brands (as of: June 30, 2019)



Significant investments (as of: June 30, 2019)



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.

In its Applications division, 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 GMX, mail.com, WEB.DE, 1&1 IONOS, Arsys, Fasthosts, home.pl, InterNetX, Strato, united-domains and World4You. 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 2018 (Annual Report 2018, pages 32 et seq.). There have been no significant changes with regard to the Group in the first half of 2019.

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 2019:

- **Consumer Access:**
  - Launch of eSIM

- **Business Access:**
  - Software Defined Network (SDN) – Enabling of Dynamic Products

- **Consumer Applications:**
  - Launch of smart inbox for GMX and WEB.DE
  - Roll-out of two-factor authentication for GMX and WEB.DE

- **Business Applications:**
  - Roll-out of "OX App Suite" as German alternative to Microsoft Office 365 and G-Suite
  - Roll-out of Hosted Exchange 2019 as professional e-mail solution for mid-size and larger companies
  - Roll-out of WordPress Pro Hosting portfolio for 1&1 IONOS specially for professionals and agencies
  - Roll-out of new professional back-up solution for all server and cloud products of 1&1 IONOS and IONOS Enterprise Cloud
  - Roll-out of new Dedicated Bare Metal Server with the Intel Cascade Lake CPU

General economic, sector and legal conditions

Macroeconomic development

After the first six months of 2019, the International Monetary Fund (IMF) has downgraded its growth forecasts for the **global economy**. In its updated economic outlook for 2019 (World Economic Outlook, Update July 2019), the IMF justified its renewed downgrade to 3.2% (from 3.5% originally forecast in its January outlook) with factors such as the punitive tariffs imposed on each other by the USA and China. Moreover, US sanctions threaten to interrupt global supply chains in the technology sector. According to the IMF, the uncertainty triggered by Brexit and the geopolitical tensions in the Gulf region are also dampening economic prospects.

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 0.1 percentage point to 2.6%, while the forecast for **Canada** was downgraded by 0.4 percentage points to 1.5% and for **Mexico** by 1.2 percentage points to 0.9%.

The IMF downgraded its forecast for the **eurozone** (compared to the January outlook) by 0.3 percentage points to 1.3%. The forecasts for **France** and **Italy** were reduced by 0.2 percentage point to 1.3% and by 0.5 percentage points to 0.1%, respectively. The forecast for **Spain** was raised by 0.1 percentage point to 2.3%.

The IMF growth forecast for the **UK** of 1.3% is down 0.2 percentage points on the beginning of the year.

For United Internet's most important market, **Germany** (share of sales in 2018: around 92%), the IMF has also downgraded its outlook by 0.6 percentage points to 0.7%.

Changes in 2019 growth forecasts for United Internet's key target countries and regions

	January forecast	April forecast	July forecast	Change on January forecast
Global economy	3.5%	3.3%	3.2%	- 0.3 %-points
USA	2.5%	2.3%	2.6%	+0.1 %-points
Canada	1.9%	1.5%	1.5%	- 0.4 %-points
Mexico	2.1%	1.6%	0.9%	- 1.2 %-points
Eurozone	1.6%	1.3%	1.3%	- 0.3 %-points
France	1.5%	1.3%	1.3%	- 0.2 %-points
Spain	2.2%	2.1%	2.3%	+ 0.1 %-points
Italy	0.6%	0.1%	0.1%	- 0.5 %-points
UK	1.5%	1.2%	1.3%	- 0.2 %-points
Germany	1.3%	0.8%	0.7%	- 0.6 %-points

Source: International Monetary Fund, World Economic Outlook (Update), July 2019

According to calculations of Germany's Federal Statistics Office (Destatis), the country's gross domestic product (GDP) grew by 0.4% (adjusted for price, seasonal and calendar effects) in the first quarter of 2019, as it did in the previous year. For the second quarter of 2019, however, the German Institute for Economic Research (DIW Berlin) and its sentiment barometer for June predicted growth of just 0.1% – compared to 0.5% in the previous year.

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

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019e
GDP	+ 0.4%	+ 0.5%	- 0.2%	+/- 0.0%	+ 0.4%	+ 0.1%

Source: Destatis (Q1 2018 – Q1 2019) and DIW Berlin (Q2 2019), June 2019

Legal conditions / significant events

In the first half of 2019, the legal parameters for United Internet's business activities remained largely unchanged from fiscal year 2018 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 2019 which had a material influence on the development of business.

Business development of the Group

Initial application of IFRS 16

On January 13, 2016, the International Accounting Standards Board (IASB) published IFRS 16, a new standard for lease accounting. The new standard is to be applied in fiscal years beginning on or after January 1, 2019 – and thus also for this half-year financial report 2019.

United Internet is mainly a lessee. The majority of the Group's leases are for renting network infrastructures, buildings, technical equipment and vehicles.

According to IFRS 16, leases are no longer regarded as classic rental agreements but as financing transactions: the lessee acquires a right to use the leased asset and finances it via the lease installments. Consequently, the lessee must recognize an asset for the right to use the leased asset and a liability for the payments due for the leased asset in the balance sheet. In this way, every lease and rental relationship is stated in the balance sheet. Only lease or rental agreements with terms of up to twelve months and contracts with low-value assets are excluded from this obligation to be stated in the balance sheet.

On initial application of IFRS 16, United Internet opted to recognize the asset for the right of use granted at the value of the related lease liability as of January 1, 2019 and not to apply the standard retrospectively for each previous reporting period.

Application of the new standard led to an increase in non-current assets (for right-of-use assets) in the consolidated balance sheet of United Internet, and at the same time to an increase in financial liabilities (due to the payment obligation). In the income statement, this resulted in a reduction in rental payments, an increase in depreciation and interest expenses, and thus to a rise in EBITDA. However, other financial performance indicators "below" EBITDA, such as EBIT, EBT or EPS, are either not affected by the new accounting standard, or only to a minor extent.

Specifically, the initial application of IFRS 16 in the first half of 2019 had a positive impact on consolidated EBITDA of around € 44.3 million. The EBITDA effects were mostly in the Business Access (€ +30.5 million) and Business Applications (€ +6.5 million) segments.

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 2018 of United Internet AG on page 52.

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 Consumer Access segment

The number of **fee-based contracts in the Consumer Access segment** rose by 380,000 contracts to 13.92 million in the first half of 2019. Whereas broadband connections remained steady at 4.34 million, 380,000 customer contracts were added in the mobile internet business, thus raising the total number of contracts to 9.58 million.

Development of Consumer Access contracts in the first half of 2019 (in million)

	June 30, 2019	Dec. 31, 2018	Change
Consumer Access, total contracts	13.92	13.54	+ 0.38
thereof mobile internet	9.58	9.20	+ 0.38
thereof broadband connections	4.34	4.34	+/- 0.00

Development of Consumer Access contracts in the second quarter of 2019 (in million)

	June 30, 2019	Mar. 31, 2019	Change
Consumer Access, total contracts	13.92	13.72	+ 0.20
thereof mobile internet	9.58	9.37	+ 0.21
thereof broadband connections	4.34	4.35	- 0.01

Sales of the Consumer Access segment rose only slightly by 0.4% in the first half of 2019, from € 1,805.7 million in the previous year to € 1,812.1 million.

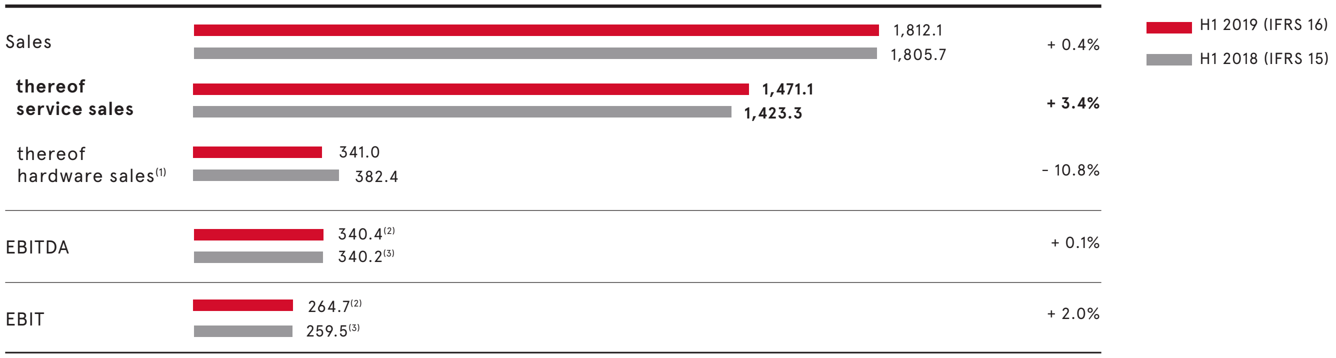
Despite a highly competitive environment, high-margin **service revenues** – which represent the core business of the segment – improved by 3.4% from € 1,423.3 million to € 1,471.1 million. Without consideration of sales effects from increased demand for LTE mobile tariffs among existing customers (sales reduced by € -23.1 million due to lower basic prices in the first year of the contract; prior year: € -4.5 million), **adjusted service revenues** rose by 4.7%.

This at first glance only moderate overall sales growth was due to fluctuations during the year in (low-margin) **hardware sales** (€ -41.4 million compared to the previous year). Such hardware sales (especially from the use of smartphones which customers acquire for no or only small one-off charges on signing new contracts and which are paid for via higher tariff prices over the contractual term, as well as a small amount of other sales) fluctuate seasonally and depend on the appeal of new devices and the model cycles of hardware manufacturers. Consequently, this effect may be reversed in the coming quarters. If this is not the case, however, it would have no significant impact on the segment's EBITDA trend.

At € 340.4 million, **segment EBITDA** was only slightly up on the previous year (€ 340.2 million). This moderate growth is due to preliminary additional costs for wholesale purchases (€ -37.1 million) after the time-limited adjustment mechanism of a wholesale agreement expired at the end of 2018. Contrary to original expectations, no decision has been taken yet regarding a replacement or compensation for the expired arrangement. However, the corresponding wholesale prices are currently the subject of arbitration proceedings, in the course of which a binding decision on the type and amount of a permanent price adjustment will now be made by the end of October. The company expects this expert decision to result in lower wholesale prices with a retrospective effect. In addition, the United Internet subsidiary 1&1 Drillisch and the pre-service supplier have agreed that three further price adjustment procedures, since initiated by 1&1 Drillisch, should also be decided by arbitration. EBITDA also contains **one-off expenses** (€ -2.3 million; prior year: € -7.7 million) for current integration projects. Without consideration of the above mentioned effects and a positive IFRS 16 effect (€ +2.3 million), **adjusted EBITDA** rose by 8.5%.

Segment EBIT was virtually unaffected by IFRS 16 accounting and rose by 2.0% from € 259.5 million to € 264.7 million. EBIT also includes the above mentioned burdens on earnings and one-off expenses.

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



(1) Hardware sales incl. small amount of other sales
(2) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -2.3 million)
(3) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -7.7 million)

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

	Q3 2018 (IFRS 15)	Q4 2018 (IFRS 15)	Q1 2019 (IFRS 16)	Q2 2019 (IFRS 16)	Q2 2018 (IFRS 15)	Change
Sales	893.2	929.8	905.0	907.1	907.4	+ 0.0%
thereof service sales	**728.6**	**730.4**	**730.4**	**740.7**	**717.6**	**+ 3.2%**
thereof hardware sales[1]	164.6	199.4	174.6	166.4	189.8	- 12.3%
EBITDA	181.6[2]	197.5[3]	168.5[4]	171.9[5]	174.9[6]	- 1.7%
EBIT	141.6[2]	159.5[3]	130.6[4]	134.1[5]	134.7[6]	- 0.4%

(1) Hardware sales incl. small amount of other sales
(2) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -4.7 million)
(3) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -12.7 million)
(4) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -2.1 million)
(5) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -2.4 million)
(6) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -2.7 million)

Multi-period overview[1]: Development of key sales and earnings figures (in € million)

	H1 2016 (IAS 18)	H1 2017 (IAS 18)	H1 2018 (IFRS 15)	H1 2019 (IFRS 16)
Sales	1,179.5	1,266.4	1,805.7	1,812.1
thereof service sales	**1,131.8**	**1,215.7**	**1,423.3**	**1,471.1**
thereof hardware sales[2]	47.7	50.7	382.4[3]	341.0
EBITDA	184.3	215.5	340.2[4]	340.4[5]
EBITDA margin	15.6%	17.0%	18.8%	18.8%
EBIT	178.9	208.1	259.5[4]	264.7[5]
EBIT margin	15.2%	16.4%	14.4%	14.6%

(1) As the new segmentation was only introduced in the course of preparing the annual financial statements for 2018, the usual 5-year multi-period overview is limited to the financial years 2016-2019
(2) Hardware sales incl. small amount of other sales
(3) Increase due in particular to conversion effects from initial accounting acc. to IFRS 15
(4) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -7.7 million)
(5) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -2.3 million)

In addition to the above mentioned success in operating business, the parent company of the Consumer Access segment, the subsidiary 1&1 Drillisch AG, successfully participated in the 5G spectrum auction ending on June 12, 2019 and purchased two frequency blocks of 2 x 5 MHz in the 2 GHz band and five frequency blocks of 10 MHz in the 3.6 GHz band. The total auction price amounted to around € 1.07 billion, of which around € 735 million is due for the frequency blocks in the 3.6 GHz band within 65 banking days after bid acceptance, according to the auction conditions. A further approx. € 335 million for the frequency blocks in the 2 GHz band is payable up to June 30, 2024, as this spectrum will not be available until January 1, 2026. Up to this time, 1&1 Drillisch has the possibility to rent frequencies in the amount of 2x10 MHz in the 2.6 GHz band from Telefónica Germany on the basis of the commitments given by Telefónica Germany as part of the EU's clearance of its merger with E-Plus. This spectrum will be available until December 31, 2025.

With this spectrum acquisition, the foundation was laid for a successful and permanent positioning of the 1&1 Drillisch Group as Germany's fourth mobile network provider. On this basis, the company intends to establish a powerful mobile communications network.

Development of the Business Access segment

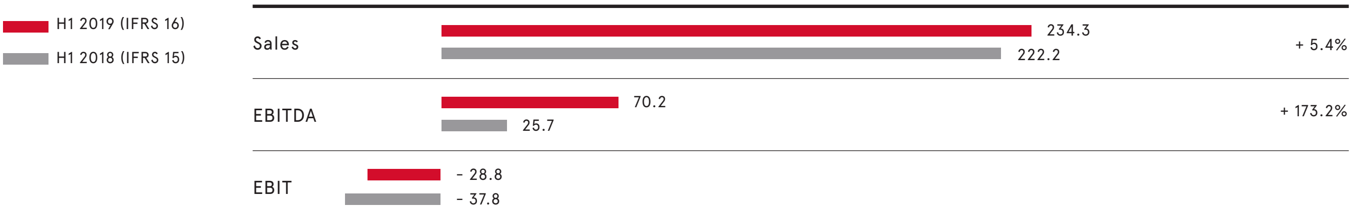
Sales of the Business Access segment rose by 5.4% in the first half of 2019, from € 222.2 million in the previous year to € 234.3 million.

Segment EBITDA improved by 173.2%, from € 25.7 million to € 70.2 million. In addition to the positive business trend also reflected in sales, this increase was also attributable to effects from the initial application of IFRS 16 (€ +30.5 million). Without consideration of these effects, **adjusted EBITDA** rose by 54.5%.

The strong increases in sales and EBITDA demonstrate that 1&1 Versatel GmbH is increasingly succeeding in exploiting the potential of its fiber-optic network to an ever greater extent.

As a result of high depreciation charges in the field of network infrastructure due to customer growth and further Layer2 connections that are only amortized in subsequent periods, **segment EBIT** amounted to € -28.8 million – compared to € -37.8 million in the previous year – and was virtually unaffected by IFRS 16 accounting.

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



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

	Q3 2018 (IFRS 15)	Q4 2018 (IFRS 15)	Q1 2019 (IFRS 16)	Q2 2019 (IFRS 16)	Q2 2018 (IFRS 15)	Change
Sales	112.4	131.3	119.3	115.0	112.1	+ 2.6%
EBITDA	17.9	29.0	35.7	34.4	13.6	+ 152.9%
EBIT	- 14.7	- 5.6	- 13.5	- 15.3	- 18.6	

Multi-period overview[1]: Development of key sales and earnings figures (in € million)

	H1 2016[2] (IAS 18)	H1 2017[2] (IAS 18)	H1 2018 (IFRS 15)	H1 2019 (IFRS 16)
Sales	259.5	222.5	222.2	234.3
EBITDA	58.3	44.5	25.7	70.2
EBITDA margin	22.5%	20.0%	11.6%	30.0%
EBIT	- 4.1	- 16.5	- 37.8	- 28.8
EBIT margin	-	-	-	-

(1) As the new segmentation was only introduced in the course of preparing the annual financial statements for 2018, the usual 5-year multi-period overview is limited to the financial years 2016-2019
(2) 2016 and 2017 (partially) including the mass market business transferred to Consumer Access as of May 1, 2017

Development of the Consumer Applications segment

The number of fee-based **contracts** rose by 10,000 to 2.25 million in the first half of 2019. Due to the usual seasonal decline in the second quarter of 2019, however, ad-financed **free accounts** decreased by 50,000 to 36.95 million but were still well above the prior-year figure of 36.06 million as of June 30, 2018.

Development of Consumer Applications accounts in the first half of 2019 (in million)

	June 30, 2019	Dec. 31, 2018	Change
Consumer Applications, total accounts	39.21	39.25	- 0.04
thereof with Premium Mail subscription	1.54	1.54	+/- 0.00
thereof with Value-Added subscription	0.72	0.71	+ 0.01
thereof free accounts	36.95	37.00	- 0.05

Development of Consumer Applications accounts in the second quarter of 2019 (in million)

	June 30, 2019	Mar. 31, 2019	Change
Consumer Applications, total accounts	39.21	39.59	- 0.38
thereof with Premium Mail subscription	1.54	1.54	+/- 0.00
thereof with Value-Added subscription	0.72	0.71	+ 0.01
thereof free accounts	36.95	37.34	- 0.39

As already announced in the annual financial statements 2018, activities in the Consumer Applications segment continue to focus on the repositioning and reconstruction of the GMX und WEB.DE portals (incl. the related reduction in ad space) and the simultaneous establishment of data-driven business models. Initial successes are already emerging from this transformation. Trust in the two brands and customer satisfaction have made good progress (9 percentage points increase in the Net Promoter Score (NPS) over the previous year). This is reflected by a return to more stable user numbers for fee-based Premium Mail accounts and growth of 890,000 free accounts compared to 30 June 2018. In addition, around 1 million users (as of June 30) opted in for the Smart Inbox within the first weeks of its launch. The first data-driven advertising marketing products on this basis will be presented at DMEXCO in September 2019. As expected, the above mentioned measures had a negative impact on sales and earnings figures in the first half of 2019 and are due to gradually have a positive effect as of fiscal year 2020. Nevertheless, slight growth in adjusted sales and EBITDA is already expected for the second half of 2019.

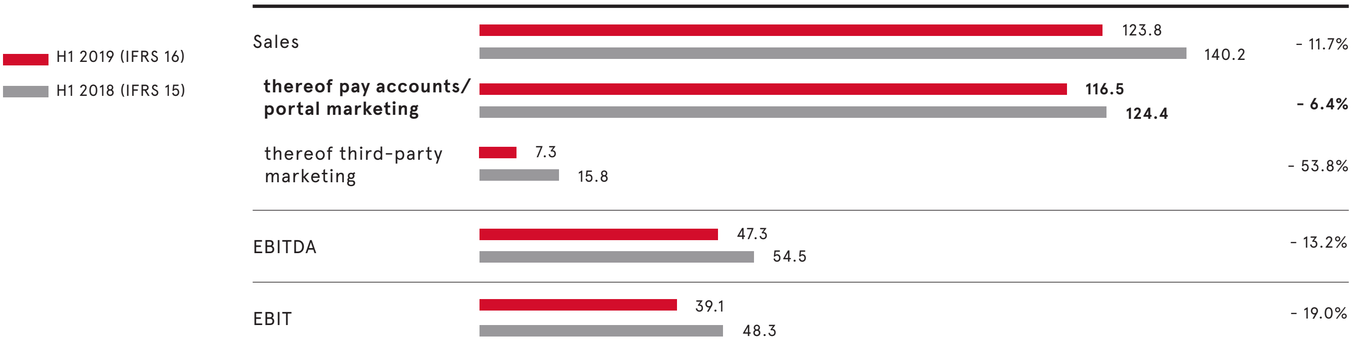
Against this backdrop and as expected, **sales in the segment's core business of pay accounts and the marketing of ad space on its own portals** amounted to € 116.5 million in the first half of 2019 and thus fell short of the prior-year figure (€ 124.4 million). This decline in sales is mainly attributable to the ongoing repositioning started in the second quarter of 2018 and the associated reduction in ad space (sales effect: € -11.2 million), which only affected sales in the first half of the previous year to a limited extent (€ -4.7 million).

At € 7.3 million, **sales in the field of low-margin third-party marketing** were well below the prior-year figure (€ 15.8 million). As a result, there was a decline in **total segment sales** from € 140.2 million to € 123.8 million. Without consideration of the ad space reduction and the decline in third-party marketing, adjusted sales fell by -1.0%.

Due to the reduction in ad space and investment in the expansion of data-driven business models (EBITDA and EBIT effect: € -9.9 million; prior year: € -5.1 million), **segment EBITDA** of € 47.3 million (prior year: € 54.5 million) was also down on the previous year. Without consideration of the ad space reduction and a positive IFRS 16 effect (€ +2.1 million), **adjusted EBITDA** declined by -7.6%.

As a result, **segment EBIT** of € 39.1 million was also down on the previous year (prior year: € 48.3 million) and was virtually unaffected by IFRS 16 accounting.

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



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

	Q3 2018 (IFRS 15)	Q4 2018 (IFRS 15)	Q1 2019 (IFRS 16)	Q2 2019 (IFRS 16)	Q2 2018 (IFRS 15)	Change
Sales	63.7	70.3	60.4	63.4	68.2	- 7.0%
thereof pay accounts/portal marketing	**58.5**	**67.8**	**57.9**	**58.6**	**60.1**	**- 2.5%**
thereof third-party marketing	5.2	2.5	2.5	4.8	8.1	- 40.7%
EBITDA	25.4	32.9	21.4	25.9	27.0	- 4.1%
EBIT	22.5	30.0	18.3	20.9	24.3	- 14.0%

Multi-period overview[1]: Development of key sales and earnings figures (in € million)

	H1 2016 (IAS 18)	H1 2017 (IAS 18)	H1 2018 (IFRS 15)	H1 2019 (IFRS 16)
Sales	142.6	134.4	140.2	123.8
thereof pay accounts/portal marketing	**134.2**	**126.6**	**124.4**	**116.5**
thereof third-party marketing	8.4	7.8	15.8	7.3
EBITDA	61.9	57.9	54.5	47.3
EBITDA margin	43.4%	43.1%	38.9%	38.2%
EBIT	55.8	52.0	48.3	39.1
EBIT margin	39.1%	38.7%	34.5%	31.6%

(1) As the new segmentation was only introduced in the course of preparing the annual financial statements for 2018, the usual 5-year multi-period overview is limited to the financial years 2016-2019

Development of the Business Applications segment

The number of **fee-based Business Applications** contracts grew organically by 50,000 contracts in the first half of 2019 to a total of 8.11 million contracts.

Development of Business Applications contracts in the first half of 2019 (in million)

	June 30, 2019	Dec. 31, 2018	Change
Business Applications, total contracts	8.11	8.06	+ 0.05
thereof in Germany	3.86	3.82	+ 0.04
thereof abroad	4.25	4.24	+ 0.01

Development of Business Applications contracts in the second quarter of 2019 (in million)

	June 30, 2019	Mar. 31, 2019	Change
Business Applications, total contracts	8.11	8.09	+ 0.02
thereof in Germany	3.86	3.85	+ 0.01
thereof abroad	4.25	4.24	+ 0.01

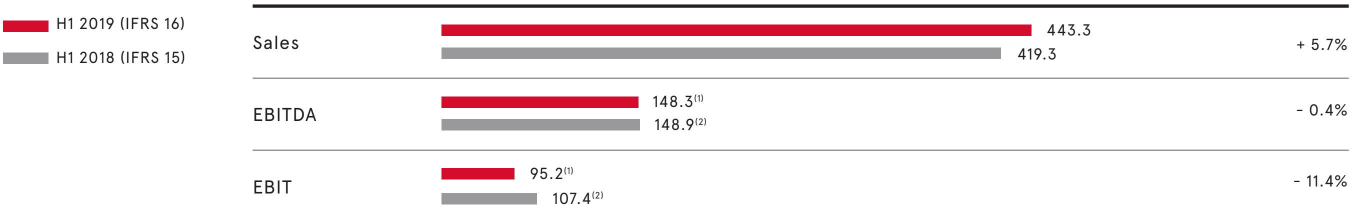
In the Business Applications segment, activities in the first half of 2019 focused on rebranding with the new "1&1 IONOS" brand (formerly: "1&1 Internet") – thus taking a further step toward the targeted IPO. Following a transition phase, the latter will take place in future under the independent "IONOS" brand.

Sales of the Business Applications segment rose by 5.7% in the first half of 2019, from € 419.3 million in the previous year to € 443.3 million.

Despite increased marketing expenses (€ -26.8 million, including one-offs for rebranding measures of € -13.7 million (prior year: one-offs for integration projects of € -6.2 million)), **segment EBITDA** of € 148.3 million was only slightly down on the previous year (€ 148.9 million). The strong increase in marketing expenses was opposed by positive effects from the initial application of IFRS 16 (€ +6.5 million). Without consideration of the above mentioned effects, **adjusted EBITDA** grew by 8.8%.

EBIT also includes the above mentioned burdens on earnings and one-offs. In addition, there was an increase in depreciation (due in part to World4You and the expansion of the server park). Against this backdrop, **segment EBIT** of € 95.2 million also fell short of the prior-year figure (€ 107.4 million) and was virtually unaffected by IFRS 16 accounting.

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



(1) Including one-off expenses for integration and rebranding projects (EBITDA and EBIT effect: € -13.7 million)
(2) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -6.2 million)

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

	Q3 2018 (IFRS 15)	Q4 2018 (IFRS 15)	Q1 2019 (IFRS 16)	Q2 2019 (IFRS 16)	Q2 2018 (IFRS 15)	Change
Sales	215.4	207.1	220.2	223.1	209.9	+ 6.3%
EBITDA	85.0[1]	56.5[2]	73.7[3]	74.6[4]	74.2[5]	+ 0.5%
EBIT	61.0[1]	33.7[2]	45.7[3]	49.5[4]	52.8[5]	- 6.3%

(1) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -2.6 million)
(2) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -7.8 million)
(3) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -7.0 million)
(4) Including one-off expenses for integration and rebranding projects (EBITDA and EBIT effect: € -6.7 million)
(5) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -3.1 million)

Multi-period overview[1]: Development of key sales and earnings figures (in € million)

	H1 2016 (IAS 18)	H1 2017 (IAS 18)	H1 2018 (IFRS 15)	H1 2019 (IFRS 16)
Sales	319.0	361.7	419.3	443.3
EBITDA	91.2	118.2	148.9[2]	148.3[3]
EBITDA margin	28.6%	32.7%	35.5%	33.5%
EBIT	69.2	88.0	107.4[2]	95.2[3]
EBIT margin	21.7%	24.3%	25.6%	21.5%

(1) As the new segmentation was only introduced in the course of preparing the annual financial statements for 2018, the usual 5-year multi-period overview is limited to the financial years 2016-2019
(2) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -6.2 million)
(3) Including one-off expenses for integration and rebranding projects (EBITDA and EBIT effect: € -13.7 million)

Share and dividend

The United Internet AG **share price** declined by 22.1% over the first six months of 2019 and closed at € 28.96 as of June 30, 2019 (December 31, 2018: € 38.20). Compared to the previous year (June 30, 2018: € 49.06), the share price was down by 41.0%.

Multi-period overview: Share development

	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Closing price (Xetra)	€ 39.88	€ 37.20	€ 48.15	€ 49.06	€ 28.96
Performance	+ 23.9%	- 6.7%	+ 29.4%	+ 1.9%	- 41.0%
Number of shares	205 million	205 million	205 million	205 million	205 million
Market value	€ 8.18 billion	€ 7.63 billion	€ 9.87 billion	€ 10.06 billion	€ 5.94 billion

At the Annual Shareholders` Meeting of United Internet AG held on May 23, 2019, the proposal of the Management Board and Supervisory Board to pay a dividend of only € 0.05 (prior year: € 0.85) per share for the fiscal year 2018 was approved with a majority of 99.8% of votes cast. This precautionary measure ensured that the Group subsidiary 1&1 Drillisch would be able to make the necessary additional investments in the case of a successful bid for frequencies in the 5G spectrum auction, which was still running at this time. The dividend proposal of the Management Board and Supervisory Board was based on the minimum dividend as prescribed by Section 254 (1) of the German Stock Corporation Act (AktG).

Consequently, a total dividend payment of € 10.0 million (prior year: € 169.9 million) was made on May 27, 2019. The payout ratio was thus 2.5% of the adjusted consolidated net income from continued operations after minority interests for 2018 (€ 392.6 million). Based on the closing price of the United Internet share on June 30, 2019, the dividend yield was 0.2%.

Multi-period overview: Dividend development

	For 2014	For 2015	For 2016	For 2017	For 2018
Dividend per share (in €)	0.60	0.70	0.80	0.85	0.05
Dividend payment (in € million)	122.3	142.9	159.7	169.9	10.0
Payout ratio	27.3%	39.0%	89.2%	26.1%	5.3%
Payout ratio without special items[(1)]	43.0%	39.0%	36.8%	42.0%	2.5%
Dividend yield[(2)]	1.5%	1.9%	1.7%	1.7%	0.2%

(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 (2017); impairment of Tele Columbus shares (2018)

(2) As of: June 30

Position of the Group

Earnings position

In the first six months of 2019, the total number of **fee-based customer contracts** in the United Internet Group was raised by 440,000 to 24.29 million contracts. Due to seasonal fluctuations, ad-financed free accounts decreased by 50,000 to 36.95 million.

Consolidated sales grew by 1.1% in the first half of 2019, from € 2,548.9 million in the previous year to € 2,575.8 million. This at first glance only moderate growth was due in particular to fluctuations during the year in (low-margin) hardware sales (€ -41.4 million compared to the previous year), as well as ssales effects from increased demand for LTE mobile tariffs among existing customers (sales reduced by € -23.1 million due to lower basic prices in the first year of the contract; prior year: € -4.5 million) in the Consumer Access segment. Sales were also influenced by the ad space reduction (€ -11.2 million; prior year: € -4.7 million) as part of a repositioning in the Consumer Applications segment. **Sales outside Germany** increased by 10.1% from € 195.5 million to € 215.2 million.

Due to the decreased use of hardware, the **cost of sales** rose more slowly from € 1,697.6 million (66.6% of sales) in the previous year to € 1,701.7 million (66.1% of sales). There was a corresponding increase in the **gross margin** from 33.4% to 33.9%. This resulted in a 2.7% improvement in **gross profit** from € 851.3 million to € 874.1 million.

Largely as a result of increased marketing expenses in connection with rebranding in the Business Applications segment, there was a disproportionate rise in **sales and marketing expenses** from € 344.1 million (13.5% of sales) in the previous year to € 373.6 million (13.9% of sales). **Administrative expenses** also rose slightly faster than sales from € 109.2 million in the previous year (4.3% of sales) to € 114.1 million (4.4% of sales).

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

	H1 2015 (IAS 18)	H1 2016 (IAS 18)	H1 2017 (IAS 18)	H1 2018 (IFRS 15)	H1 2019 (IFRS 16)
Cost of sales	1,216.2	1,231.3	1,272.9	1,697.6 [(1)]	1,701.7
Cost of sales ratio	66.7%	65.5%	65.1%	66.6%	66.1%
Gross margin	33.3%	34.5%	34.9%	33.4%	33.9%
Selling expenses	293.9	263.3	270.9	344.1 [(1)]	373.6
Selling expenses ratio	16.1%	14.0%	13.9%	13.5%	14.5%
Administrative expenses	84.3	92.0	85.2	109.2	114.1
Administrative expenses ratio	4.6%	4.9%	4.4%	4.3%	4.4%

(1) H1 2018 adjusted in connection with a final purchase price allocation (ProfitBricks)

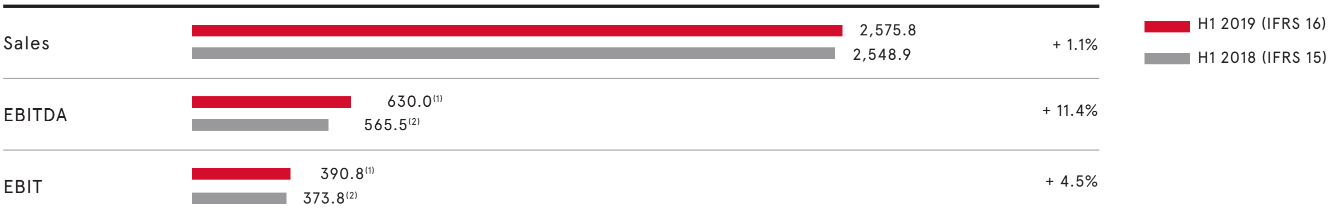
Consolidated EBITDA was positively influenced by the initial application of IFRS 16 (€ +44.3 million) in the first half of 2019. In addition to one-off expenses already announced (€ -2.3 million; prior year: € -7.7 million), there were opposing effects in the Consumer Access segment from preliminary additional costs (€ -37.1 million) for wholesale purchases after the time-limited adjustment mechanism of a wholesale agreement expired at the end of 2018. Contrary to original expectations, no decision has been taken yet regarding a replacement or compensation for the expired arrangement. However, the corresponding wholesale prices are currently the subject of arbitration proceedings, in the course of which a binding decision on the type and amount of a permanent price adjustment will now be made by the end of October. The company expects this expert decision to result in lower wholesale prices with a retrospective effect. Furthermore, future investments (implemented as planned), such as the repositioning of the Consumer Applications segment (€ -9.9 million; prior year: € -5.1 million) and an increase in marketing expenses in the Business Applications segment (€ -26.8 million), had an initial negative effect on earnings. Increased marketing expenses included a one-off amount of € -13.7 million for rebranding measures (prior year: one-offs of € -6.2 million for integration projects). All in all, EBITDA rose by 11.4% in the first half of 2019, from € 565.5 million to € 630.0 million. The comparable growth according to IFRS 15 amounted to 3.6%.

Consolidated EBIT was virtually unaffected by IFRS 16 accounting and rose by 4.5%, from € 373.8 million to € 390.8 million. EBIT also includes the above mentioned burdens on earnings and one-offs.

Earnings before taxes (EBT) decreased from € 358.3 million auf € 329.3 million due to non-cash impairment charges on shares held in Tele Columbus of € -34.2 million as a result of closing-date effects. An amount of € -43.1 million was recognized for this item in the first quarter and the amount is to be updated during the year depending on the share price. Without consideration of impairment charges, **operating EBT** of € 363.5 million was slightly up on the previous year (€ 358.3 million).

Earnings per share (EPS) fell from € 0.91 to € 0.84. This was also due to the above mentioned non-cash impairment charges (EPS effect: € -0.17). Without consideration of impairment charges, **operating EPS** amounted to € 1.01 – corresponding to year-on-year growth of 11.0%. EPS before PPA grew from € 1.16 to € 1.25.

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



(1) Including one-off expenses for integration and rebranding projects (EBITDA and EBIT effect: € -16.0 million)
(2) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -13.9 million)

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

	Q3 2018 (IFRS 15)	Q4 2018 (IFRS 15)	Q1 2019 (IFRS 16)	Q2 2019 (IFRS 16)	Q2 2018 (IFRS 15)	Change
Sales	1,267.0	1,314.9	1,286.1	1,289.7	1,278.2	+ 0.9%
EBITDA	309.1 (1)	326.7 (2)	299.7 (3)	330.3 (4)	287.2 (5)	+ 15.0%
EBIT	209.0 (1)	228.2 (2)	181.1 (3)	209.7 (4)	190.9 (5)	+ 9.8%

(1) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -7.3 million)
(2) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -20.5 million)
(3) Including one-off expenses for integration and rebranding projects (EBITDA and EBIT effect: € -9.1 million)
(4) Including one-off expenses for integration and rebranding projects (EBITDA and EBIT effect: € -6.9 million)
(5) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -5.8 million)

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

	H1 2015 (IAS 18)	H1 2016 (IAS 18)	H1 2017 (IAS 18)	H1 2018 (IFRS 15)	H1 2019 (IFRS 16)
Sales	1,823.4	1,880.6	1,954.1	2,548.9	2,575.8
EBITDA	345.7	398.0	429.9	565.5 (1)	630.0 (2)
EBITDA margin	19.0%	21.2%	22.0%	22.2%	24.5%
EBIT	236.7	301.5	325.3	373.8 (1)	390.8 (2)
EBIT margin	13.0%	16.0%	16.6%	14.7%	15.2%

(1) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -13.9 million)
(2) Including one-off expenses for integration and rebranding projects (EBITDA and EBIT effect: € -16.0 million)

Financial position

Thanks to the positive trend in operating earnings, **operative cash flow** rose from € 418.9 million in the previous year to € 465.4 million in the first half of 2019.

Cash flow from operating activities in the first half of 2019 rose strongly from € 164.7 million in the previous year to € 246.0 million. This increase was mainly due to high prepayments to pre-service providers and a simultaneously strong increase in inventories in the previous year.

Cash flow from investing activities amounted to € 68.6 million in the reporting period (prior year: € 128.1 million). This resulted mainly from disbursements of € 102.8 million for capital expenditures (prior year: € 119.7 million). There was an opposing effect from the sale of associated companies (mainly from concluding the sale of Virtual Minds shares already prepared in 2018) amounting to € 35.6 million (of which gain on disposal: € 21.5 million). In addition to the aforementioned capital expenditures, cash flow from investing activities in the previous year was also shaped by a subsequent cash outflow from the sale of yourfone Shop GmbH.

As a result of the strong increase in cash flow from operating activities and lower capital expenditures, **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) rose from € 49.6 million or € 84.3 million (without consideration of a tax payment of € 34.7 million from fiscal year 2016) to € 148.3 million or € 190.7 million (without consideration of a capital gains tax payment of € 18.9 million and tax payments of € 23.4 million from fiscal year 2017 and previous years).

Cash flow from financing activities in the first six months of 2019 was dominated by the net repayment of loans totaling € 118.7 million (prior year: net borrowing of € 89.9 million), as well as the redemption of lease liabilities of € 52.7 million (prior year: € 7.9 million), which increased strongly as a result of IFRS 16 accounting.

Cash and cash equivalents amounted to € 47.9 million as of June 30, 2019 – compared to € 97.7 million on the same date last year.

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

	H1 2015 (IAS 18)	H1 2016 (IAS 18)	H1 2017 (IAS 18)	H1 2018 (IFRS 15)	H1 2019 (IFRS 16)
Operative cash flow	251.6	303.2	315.6	418.9	465.4
Cash flow from operating activities	158.5 (2)	243.0 (3)	394.5 (4)	164.7	246.0
Cash flow from investing activities	- 518.6	- 328.1	- 741.2	- 128.1	- 68.6
Free cash flow (1)	98.9 (2)	172.7 (3)	297.8 (4)	84.3 (5)	190.7 (6)
Cash flow from financing activities	48.8	189.6	509.9	- 163.6	- 187.6
Cash and cash equivalents on June 30	67.5	88.1	336.6	111.8	47.9

(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
(6) Without capital gains tax payment of € 18.9 million and without tax payments of € 23.4 million from fiscal year 2017 and previous years

Asset position

In the fiscal year 2018, United Internet carried out a detailed **impact assessment on accounting pursuant to IFRS 16**. In summary, the effects as of January 1, 2019 from the initial application of IFRS 16 with respect to lessee contracts previously accounted for as operating leases are as follows: the Group`s balance sheet total increased by approximately € 275 million as of January 1, 2019. The capitalization of right-of-use assets amounting to approximately € 275 million is opposed by the recognition of lease liabilities in almost the same amount, which were offset against deferred prepayments for leases.

The **balance sheet total** rose in total from € 8.174 billion as of December 31, 2018 to € 8.386 billion on June 30, 2019.

Current assets increased from € 1,364.7 million as of December 31, 2018 to € 1,401.6 million on June 30, 2019. **Cash and cash equivalents** disclosed under current assets decreased from € 58.1 million to € 47.9 million due to closing-date effects. **Trade accounts receivable** remained virtually unchanged at € 356.8 million. The same applies to **inventories**, which were also largely unchanged at € 90.7 million. The item **contract assets** rose from € 427.0 million to € 486.7 million and includes current claims against customers due to accelerated revenue recognition from the application of IFRS 15. **Current prepaid expenses** rose from € 224.8 million to € 242.1 million and mainly comprise the short-term portion of expenses relating to contract acquisition and contract fulfillment according to IFRS 15. **Other financial assets** decreased from € 72.8 million to € 60.2 million and income tax claims from € 129.6 million to € 111.4 million.

Non-current assets increased from € 6,809.2 million as of December 31, 2018 to € 6,984.3 million on June 30, 2019. Due in particular to the Tele Columbus impairment charges, **shares in associated companies** decreased from € 206.9 million to € 160.6 million. The increase in **other financial assets** from € 348.0 million to € 420.2 million resulted mainly from the subsequent valuation of investments (especially Rocket Internet). Largely as a result of the initial application of IFRS 16, **property, plant and equipment** increased from € 818.0 million to € 1,085.9 million, while **intangible assets** fell from € 1,244.6 million to € 1,151.2 million in line with planning. Goodwill remained almost unchanged at € 3,613.3 million. The item **contract assets** was also virtually unchanged at € 168.5 million and includes non-current claims against customers due to accelerated revenue recognition from the application of IFRS 15. **Prepaid expenses** decreased from € 341.2 million to € 318.4 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. **Deferred tax assets** of € 10.7 million were almost unchanged.

Current liabilities fell from € 1,299.7 million as of December 31, 2018 to € 1,259.9 million on June 30, 2019. Due to closing-date effects, current **trade accounts payable** decreased from € 557.7 million to € 421.5 million. Short-term **bank liabilities** rose from € 206.2 million to € 286.6 million. **Income tax liabilities** decreased from € 187.9 million to € 136.3 million. The item current **contract liabilities** was largely unchanged at € 148.0 million and mainly includes payments received from customer contracts for which the performance has not yet been completely rendered. The increase in current **other financial liabilities** from € 124.1 million to € 195.6 million results mainly from the initial application of IFRS 16.

Non-current liabilities decreased from € 2,352.6 million as of December 31, 2018 to € 2,316.7 million on June 30, 2019. Long-term **bank liabilities** fell from € 1,733.0 million to € 1,533.8 million. **Deferred tax liabilities** decreased from € 389.8 million to € 363.4 million. The item non-current **contract liabilities** was virtually unchanged at € 33.0 million and mainly includes payments received from customer contracts for which the performance has not yet been completely rendered. The increase in non-current **other financial liabilities** from € 87.0 million to € 282.1 million resulted mainly from the initial application of IFRS 16.

The Group's **equity capital** rose from € 4,521.5 million as of December 31, 2018 to € 4,809.3 million on June 30, 2019. There was a corresponding increase in the **equity ratio** from 55.3% to 57.3%. At the end of the reporting period on June 30, 2019, United Internet continued to hold 4,702,990 **treasury shares**.

Net bank liabilities (i.e. the balance of bank liabilities and cash and cash equivalents) fell from € 1,881.1 million as of December 31, 2018 to € 1,772.5 million on June 30, 2019.

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

	Dec. 31, 2015 (IAS 18)	Dec. 31, 2016 (IAS 18)	Dec. 31, 2017 (IAS 18)	Dec. 31, 2018 (IFRS 15)	June 30, 2019 (IFRS 16)
Total assets	3,885.4	4,073.7	7,605.2	8,173.8	8,385.9
Cash and cash equivalents	84.3	101.7	238.5	58.1	47.9
Shares in associated companies	468.4	755.5 (1)	418.0 (1)	206.9 (1)	160.6
Other financial assets	449.0	287.7 (2)	333.7 (2)	348.1 (2)	420.2
Property, plant and equipment	665.2	655.0	747.4 (3)	818.0	1,085.9
Intangible assets	389.5	369.5	1,408.4 (3)	1,244.6	1,151.2
Goodwill	1,100.1	1,087.7	3,564.1 (4)	3,612.6 (4)	3,613.3
Liabilities due to banks	1,536.5	1,760.7 (5)	1,955.8 (5)	1,939.1	1,820.4
Capital stock	205.0	205.0	205.0	205.0	205.0
Equity	1,149.8	1,197.8	4,048.7 (6)	4,521.5 (6)	4,809.3
Equity ratio	29.6%	29.4%	53.2%	55.3%	57.3

(1) Increase due to investment in Tele Columbus (2016); decrease due to takeover and consolidation of ProfitBricks and Drillisch (2017); decrease due to Tele Columbus impairment charges (2018); decrease due to Tele Columbus impairment charges (2019)
(2) 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); increase due to subsequent valuation of investments (2019)
(3) Increase due to Strato, ProfitBricks and Drillisch takeovers (2017); increase due to initial application of IFRS 16 (2019)
(4) Increase due to Strato, ProfitBricks and Drillisch takeovers (2017); increase due to World4You takeover (2018)
(5) 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 segment and takeover of Strato (2017); transitional effects from initial application of IFRS 15 (2018)

Management Board's overall statement on the current business situation

United Internet can look back on a successful first six months of 2019. In the highly competitive environment of the Consumer Access segment, the company once again succeeded in visibly increasing its core business of high-margin service revenues. The same applies to the Business Access segment, which was able to achieve significant growth in revenue and earnings and increasingly exploit the potential of its fiber-optic network.

The Consumer Applications segment continued to drive forward the repositioning of its portals and the establishment of data-driven business models, while the Business Applications segment focused on its rebranding program with the new "1&1 IONOS" brand (formerly: "1&1 Internet") – thus taking a further step toward the targeted IPO. Following a transition phase, the latter will take place in future under the independent "IONOS" brand.

In addition, United Internet made further strong investments in new customer contracts and the expansion of its existing customer relationships, and thus in sustainable growth, in the first half of 2019. All in all, the number of fee-based customer contracts was raised by 440,000 to 24.29 million contracts. Of this total, 380,000 contracts were added in the Consumer Access segment. A further 10,000 and 50,000 contracts resulted from the Consumer Applications and Business Applications segments, respectively.

With this increase in customer contracts, sales growth of 1.1% to € 2,575.8 million and an improvement in EBITDA of 11.4% to € 630.0 million, United Internet continued its dynamic development in the first six months of 2019.

The company's positive 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 half of 2019 and the investments already made, the Management Board believes that the company is well positioned for further growth.

Personnel report

As of June 30, 2019, the United Internet Group employed a total of 9,156 people. Compared to the previous year (8,999 employees), headcount increased by 157 staff or 1.7%.

Headcount in Germany rose by 53 employees or 0.7%, from 7,520 in the previous year to 7,573 on June 30, 2019. At the Group's companies outside Germany, headcount increased by 104 or 7.0%, from 1,479 in the previous year to 1,583.

From the segment perspective, there were 3,108 employees in the Consumer Access segment (prior year: 3,145), 1,150 in the Business Access segment (prior year: 1,087), 976 in the Consumer Applications segment (prior year: 956), and 3,345 in the Business Applications segment (prior year: 3,359), and 577 in the Corporate/HQ division (prior year: 452). The increase in Corporate/HQ staff resulted from a transfer of employees from other segments who already worked in corporate functions in the past, as well as from the pooling of apprentices in a specially created company.

Multi-period overview: Headcount development (by domestic/foreign and segment)[1]; change over previous year

	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	Change
Employees, total	7,875	7,893	8,387	8,999	9,156	+ 1.7%
thereof in Germany	6,329	6,302	6,859	7,520	7,573	+ 0.7%
thereof abroad	1,546	1,581	1,528	1,479	1,583	+ 7.0%
Consumer Access segment		2,345	2,489	3,145	3,108	- 1.2%
Business Access segment		1,066	1,089	1,087	1,150	+ 5.8%
Consumer Applications segment		985	952	956	976	+ 2.1%
Business Applications segment		3,306	3,533	3,359	3,345	- 0.4%
Corporate / HQ		191	324	452	577	+ 27.7%

(1) As the new segmentation was only introduced in the course of preparing the annual financial statements for 2018, the usual 5-year multi-period overview is limited to the financial years 2016-2019

Personnel expenses rose by 4.7% in the first six months of 2019, from € 265.8 million in the previous year to € 278.3 million. At the same time, the personnel expense ratio increased by 0.4 percentage points to 10.8% as a result of only modest consolidated sales growth (as explained in the chapter "Earnings position").

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

	H1 2015	H1 2016	H1 2017	H1 2018	H1 2019	Change
Personnel expenses	215.3	218.9	230.5	265.8	278.3	+ 4.7%
Personnel expense ratio	11.8%	11.6%	11.8%	10.4%	10.8%	

Subsequent events

There were no significant events subsequent to the reporting date of June 30, 2019 which had a material effect on the financial position and performance of the company or the Group nor affected its accounting and reporting.

On August 14, 2019, the Management Board of United Internet AG resolved to launch a new share buyback program. The decision was approved by the Supervisory Board. In the course of this share buyback program, up to 6,000,000 company shares (corresponding to approx. 2.93% of the capital stock of € 205,000,000) are to be bought back. The volume of the share buyback program amounts to € 192.0 million in total. The program is to be launched on August 16, 2019 and will be completed by March 31, 2020 by buying shares back via the stock exchange.

United Internet AG is thus utilizing the authorization issued by the company's Annual Shareholders' Meeting of May 18, 2017 to buy back treasury shares representing up to 10% of the company`s capital stock at the time of the resolution or, if the amount is lower, at the time of exercising the authorization. The authorization was issued for the period up to September 18, 2020 and has not been utilized so far. The company currently holds 4,702,990 treasury shares from previous share buyback programs, corresponding to approx. 2.29% of capital stock.

Treasury shares can be used for all purposes permitted by the authorization of the Annual Shareholders` Meeting of May 18, 2017. The shares may also be cancelled.

The share buyback will be based on the provisions of Regulation (EU) No. 596/2014 of April 16, 2014, as last amended on June 23, 2016, and the Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016. Further details will be published before the start of the share buyback program. United Internet AG reserves the right to cancel the program at any time.

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 United Internet Group as a going concern during the reporting period nor at the time of preparing this Interim Statement, neither from individual risk positions nor from the overall risk situation.

The main challenge remains the risk field "information security". The risk assessment for the risk field "Litigation" was raised during the current year (in the first quarter of 2019). The further expansion of its risk management system enables United Internet to limit these and other risks to a minimum, where sensible, by implementing specific measures.

Compared with reporting on risks and opportunities in the Annual Financial Statements 2018, the other risk assessments remained unchanged in the first half of 2019.

Forecast report

Economic prospects

In its updated economic outlook (World Economic Outlook, Update July 2019), the International Monetary Fund (IMF) downgraded its overall forecasts for the **global economy** in the years 2019 and 2020 following developments in the first six months of 2019.

During the course of the year, the forecasts for the United Internet Group's main target markets were also adjusted on several occasions.

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

	2020e	2019e	2018
World	3.5%	3.2%	3.7%
USA	1.9%	2.6%	2.9%
Canada	1.9%	1.5%	2.1%
Mexico	1.9%	0.9%	2.1%
Eurozone	1.6%	1.3%	1.8%
France	1.4%	1.3%	1.5%
Spain	1.9%	2.3%	2.5%
Italy	0.8%	0.1%	1.0%
UK	1.4%	1.3%	1.4%
Germany	1.7%	0.7%	1.5%

Source: International Monetary Fund, World Economic Outlook (Update), July 2019

Sector / market expectations

The industry association Bitkom expects the **ICT market in Germany** to grow by 1.5% (prior year: +2.0%) to € 168.5 billion in 2019.

With an increase of 2.5% (prior year: +3.1%) to € 92.2 billion, the **IT market** is expected to show the strongest growth again in 2019. Within this sector, growth in the software segment will once again be the fastest with an increase of 6.3% (prior year: +6.3%) to € 26.0 billion. IT services – which include project business and IT consulting – are also expected to reach growth of 2.3% again (prior year: +2.3%) to € 40.8 billion. By contrast, the IT hardware segment is expected to decline by 0.7% (prior year: +1.5%) to € 25.4 billion.

Further growth is also expected for the **telecommunications market**. Sales are expected to grow by 1.1% (prior year: 1.6%) to € 67.3 billion. Sales of TC devices are set to grow by 2.0% (prior year: 5.9%) to € 11.0 billion. Telecommunication infrastructure is forecast to grow by 1.6% (prior year: +1.3%) to € 7.1 billion. Growth of 0.8% (prior year: +0.7%) to € 49.2 billion is anticipated for telecommunication services.

A further strong decline of 5.0% (prior year: -5.0%) to € 9.0 billion is forecast for sales of **consumer electronics**.

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 division, and the global cloud computing and German online advertising markets for its subscription- and ad-financed Applications division.

(Stationary) broadband market in Germany

In view of the comparatively high level of household coverage already achieved and the trend toward mobile internet, experts continue to forecast only moderate growth for the German broadband market (landline).

According to the survey "German Entertainment and Media Outlook 2017-2021" (October 2017), PricewaterhouseCoopers expects retail sales of landline-based broadband connections to increase by just 0.5% (prior year: +1.1%) to € 8.19 billion in 2019.

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

	2019e	2018	Change
Sales	8.19	8.15	+ 0.5%

Source: PricewaterhouseCoopers, German Entertainment and Media Outlook 2017 – 2021, October 2017

Mobile internet market in Germany

By contrast, all experts continue to predict further strong growth for the mobile internet market. Following market growth of 5.8% to € 8.22 billion in 2018, PricewaterhouseCoopers also forecasts an increase in mobile data services of 6.1% (prior year: +5.8%) to € 8.72 billion in 2019.

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

	2019e	2018	Change
Sales	8.72	8.22	+ 6.1%

Source: PricewaterhouseCoopers, German Entertainment and Media Outlook 2017 – 2021, October 2017

Global cloud computing market

In an update of its study "Forecast Analysis: Public Cloud Services, Worldwide", Gartner forecasts growth for public cloud services of 17.6% (prior year: +18.6%), from $ 198.2 billion to $ 233.0 billion in 2019.

Market forecast: global cloud computing (in $ billion)

	2019e	2018	Change
Global sales of public cloud services	233.0	198.2	+ 17.6%
thereof system infrastructure services (IaaS)	41.4	32.5	+ 27.4%
thereof application infrastructure services (PaaS)	20.4	16.8	+ 21.4%
thereof application services (SaaS)	103.5	87.2	+ 18.7%
thereof management and security services	13.4	11.5	+ 16.5%
thereof business process services (BPaaS)	54.2	50.2	+ 8.0%

Source: Gartner, November 2018

Online advertising market in Germany

Experts also forecast further growth for 2019. PricewaterhouseCoopers expects an increase of 6.7% (prior year: +7.3%) to € 8.48 billion. The strongest growth is expected for mobile online advertising and video advertising with increases of 23.1% and 6.5%, respectively.

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

	2019e	2018	Change
Online advertising revenues	8.48	7.95	+ 6.7%
thereof search marketing	3.86	3.66	+ 5.5%
thereof display advertising	1.66	1.62	+ 2.5%
thereof mobile online advertising	1.28	1.04	+ 23.1%
thereof affiliate / classifieds	1.02	1.01	+ 1.0%
thereof video advertising	0.66	0.62	+ 6.5%

Source: PricewaterhouseCoopers, German Entertainment and Media Outlook 2018 – 2022, October 2018

Expectations for the company

Forecast for the fiscal year 2019

Due in particular to weaker sales in the company's (low-margin) hardware business and increased demand for LTE mobile tariffs among existing customers during the year (sales reduction due to lower basic prices in the first year of the contract), United Internet's Management Board is updating its sales guidance for the fiscal year 2019. Adjusted for hardware, sales are now expected to rise by approx. 3%. Including hardware sales, total sales are expected to increase by approx. 2% (previously: approx. 4%). As a result of the low earnings contribution of the hardware business and the advantageous LTE purchasing model, this will have no significant impact on EBITDA.

Due to the revision of subscriber line charges after planning for 2019 was completed (increase as of July 2019 by approx. € -10 million) and initial costs in connection with planning and preparations for the 5G mobile network (approx. € -5 million), the Management Board is updating its EBITDA guidance to growth of approx. 11% instead of previously approx. 12% (or approx. 7% instead of previously approx. 8% according to IFRS 15).x

Management Board's overall statement on the anticipated development

The Management Board of United Internet AG remains 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 second half of 2019.

- In the Consumer Access segment, the main focus will continue to be on marketing mobile internet products and winning high-quality customer relationships. The company plans to maintain its strong market position in broadband connections.
- In the Business Access segment, the company's fiber-optic network is to be expanded with further connections to the BNGs (access points) of Deutsche Telekom. Activities for business and wholesale customers will also continue to be expanded.
- The key topics in the Consumer Applications segment continue to be the repositioning of GMX and WEB.DE, and the associated reduction in monetization via traditional advertising in favor of big data solutions.
- In addition to the current rebranding measures, the Business Applications segment will continue to focus on expanding business with existing customers and gaining new high-quality customer relationships.

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 2019".

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, 2019 in €k

	June 30, 2019	December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	47,935	58,066
Trade accounts receivable	356,787	351,427
Inventories	90,754	89,617
Contract assets	486,679	426,992
Prepaid expenses	242,148	224,840
Other financial assets	60,169	72,774
Income tax claims	111,441	129,611
Other non-financial assets	5,694	11,330
	1,401,606	1,364,657
Non-current assets		
Shares in associated companies	160,640	206,856
Other financial assets	420,238	348,046
Property, plant and equipment	1,085,874	818,010
Intangible assets	1,151,170	1,244,578
Goodwill	3,613,274	3,612,634
Trade accounts receivable	55,555	58,229
Contract assets	168,491	168,792
Prepaid expenses	318,396	341,220
Deferred tax assets	10,703	10,797
	6,984,340	6,809,162
Total assets	**8,385,946**	**8,173,819**

	June 30, 2019	December 31, 2018
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Trade accounts payable	421,501	557,730
Liabilities due to banks	286,613	206,175
Income taxes liabilities	136,294	187,938
Contract liabilities	147,991	154,290
Other accrued liabilities	16,257	24,468
Other financial liabilities	195,586	124,092
Other non-financial liabilities	55,678	45,047
	1,259,919	1,299,740
Non-current liabilities		
Liabilities due to banks	1,533,812	1,732,968
Deferred tax liabilities	363,373	389,829
Trade accounts payable	6,400	9,024
Contract liabilities	33,013	33,838
Other accrued liabilities	97,964	99,972
Other financial liabilities	282,129	86,976
	2,316,691	2,352,607
Total liabilities	**3,576,610**	**3,652,347**
Equity		
Capital stock	205,000	205,000
Capital reserves	2,705,013	2,703,141
Accumulated profit	1,653,887	1,496,154
Treasury stock	-174,858	-174,858
Revaluation reserves	154,454	83,023
Currency translation adjustment	-13,565	-14,314
Equity attributable to shareholders of the parent company	**4,529,931**	**4,298,146**
Non-controlling interests	279,405	223,326
Total equity	**4,809,336**	**4,521,472**
Total liabilities and equity	**8,385,946**	**8,173,819**

GROUP NET INCOME

from January 1 to June 30, 2019 in €k

	2019 January – June	2018 January – June
Sales	2,575,847	2,548,886
Cost of sales	-1,701,706	-1,697,606
Gross profit	**874,140**	**851,280**
Selling expenses	-373,615	-344,084
General and administrative expenses	-114,131	-109,204
Other operating expenses / income	47,740	13,872
Impairment of receivables and contract assets	-43,346	-38,026
Operating result	**390,788**	**373,839**
Financial result	-17,706	-13,096
Result from associated companies	-43,735	-2,478
Pre-tax result	**329,348**	**358,264**
Income taxes	-103,837	-114,798
Net income from continuing operations	**225,511**	**243,466**
Attributable to		
non-controlling interests	57,763	60,789
shareholders of United Internet AG	167,748	182,677

	2019 January – June	2018 January – June
Result per share of shareholders of United Internet AG (in €)		
- basic	0.84	0.91
- diluted	0.84	0.91
Weighted average shares (in million units)		
- basic	200.30	200.04
- diluted	200.30	200.29
Statement of comprehensive income		
Net income	225,511	243,466
Items that may be reclassified subsequently to profit or loss		
Currency translation adjustment - unrealized	1,118	-1,275
Categories that are not reclassified subsequently to profit or loss		
Market value changes of available-for-sale financial instruments before taxes	71,069	92,157
Tax effect	0	-72
Share in other comprehensive income of associated companies	253	835
Other comprehensive income	72,440	91,645
Total comprehensive income	**297,951**	**335,111**
Attributable to		
non-controlling interests	58,023	61,976
shareholders of United Internet AG	239,928	273,135

GROUP CASH FLOW

from January 1 to June 30, 2019 in €k

	2019 January – June	2018 January – June
Cash flow from operating activities		
Net income	225,511	243,466
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of intangible assets and property, plant and equipment	147,260	99,215
Amortization of intangible assets resulting from company acquisitions	91,959	92,468
Personnel expenses from employee stock option plans	6,328	3,992
Result from equity accounted investments	43,735	2,478
Income from the sale of associated companies	-21,512	0
Change in deferred taxes	-26,362	-22,766
Other non-cash positions	-1,544	29
Operative cash flow	**465,374**	**418,882**
Change in assets and liabilities		
Change in receivables and other assets	11,256	67,191
Change in inventories	-1,137	-64,912
Change in contract assets	-59,386	-137,697
Change in income tax assets	18,170	-6,123
Change in deferred expenses	-4,506	-106,976
Change in trade accounts payable	-134,766	31,706
Change in other accrued liabilities	-10,220	-1,213
Change in liabilities income taxes	-32,722	-35,253
Change in other liabilities	20,635	6,214
Change in deferred income	-7,747	-7,087
Change in assets and liabilities, total	**-200,424**	**-254,151**
Cash flow from operating activities (before capital gains tax refund)	**264,950**	**164,731**
Capital gains tax refund	-18,922	0
Cash flow from operating activities	**246,028**	**164,731**

	2019 January – June	2018 January – June
Cash flow from investing activities		
Capital expenditure for intangible assets and property, plant and equipment	-102,779	-119,728
Payments from disposals of intangible assets and property, plant and equipment	5,091	4,563
Payments for company acquisitions less cash received	-4,548	-4,236
Purchase of shares in associated companies	35,601	0
Payments in connection with corporate transactions	0	-8,300
Payments from loans granted	-2,500	-448
Refunding from other financial assets	525	0
Cash flow from investing activities	**-68,610**	**-128,149**
Cash flow from financing activities		
Taking out / repayment of loans	-118,718	89,862
Redemption of finance lease liabilities	-52,737	-7,902
Dividend payments	-10,015	-170,006
Profit distributions to non-controlling interests	-2,557	-75,542
Payments from minority shareholders	-3,844	0
Cash flow from financing activities	**-187,871**	**-163,588**
Net decrease in cash and cash equivalents	-10,454	-127,008
Cash and cash equivalents at beginning of fiscal year	58,066	238,522
Currency translation adjustments of cash and cash equivalents	323	303
Cash and cash equivalents at end of reporting period	**47,935**	**111,817**

GROUP CHANGES IN SHAREHOLDERS' EQUITY

from January 1 to June 30, 2019 in €k

	Capital stock		Capital reserves	Accumulated profit	Treasury stock	
	Share	€k	€k	€k	Share	€k
Balance as of January 1, 2018	**205,000,000**	**205,000**	**2,709,203**	**1,491,184**	**5,093,289**	**-189,384**
Net income				182,677		
Other comprehensive income						
Total				**182,677**		
Purchase of treasury shares				-14,542	-391,087	14,542
Employee stock ownership program			3,076			
Dividend payments				-170,006		
Profit distributions						
Other transactions				12,433		
Balance as of June 30, 2018	**205,000,000**	**205,000**	**2,712,279**	**1,501,746**	**4,702,202**	**-174,842**
Balance as of January 1, 2019	**205,000,000**	**205,000**	**2,703,141**	**1,496,154**	**4,702,990**	**-174,858**
Net income				167,748		
Other comprehensive income						
Total comprehensive income				**167,748**		
Employee stock ownership program			4,689			
Dividend payments				-10,015		
Profit distributions						
Transactions with shareholders			-2,817			
Balance as of June 30, 2019	**205,000,000**	**205,000**	**2,705,013**	**1,653,887**	**4,702,990**	**-174,858**

	Revaluation reserves	Currency translation adjustments	Equity attributable to shareholders of United Internet AG	Non-controlling interests	Total equity
	€k	€k	€k	€k	€k
	97,209	**-13,120**	**4,300,092**	**186,393**	**4,486,485**
			182,677	60,789	243,466
	91,311	-854	90,457	1,187	91,644
	91,311	**-854**	**273,134**	**61,976**	**335,110**
			0		0
			3,076	916	3,992
			-170,006		-170,006
			0	-75,542	-75,542
	36		12,469	2,353	14,822
	188,556	**-13,974**	**4,418,765**	**176,096**	**4,594,861**
	83,023	**-14,314**	**4,298,146**	**223,326**	**4,521,472**
			167,748	57,763	225,511
	71,431	749	72,180	260	72,440
	71,431	**749**	**239,928**	**58,023**	**297,951**
			4,689	1,639	6,328
			-10,015		-10,015
			0	-2,557	-2,557
			-2,817	-1,026	-3,843
	154,454	**-13,565**	**4,529,931**	**279,405**	**4,809,336**

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, 2018, the Interim Report of United Internet AG as of June 30, 2019 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, 2019 to June 30, 2019 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, 2018. 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, 2019:

Standard		Mandatory for fiscal years beginning on or after	Endorsed by EU Commissi-on
IFRS 3, IFRS 11, IAS 12, IAS 23	Annual Improvements 2015 - 2017	Jan. 1, 2019	Yes
IFRS 16	Leases	Jan. 1, 2019	Yes
IFRS 9	Amendment: Prepayment Features with Negative Compensation	Jan. 1, 2019	Yes
IAS 19	Amendment: Plan Amendment, Curtailment or Settlement	Jan. 1, 2019	Yes
IAS 28	Clarification on IAS 28 Investments in Associates and Joint Ventures	Jan. 1, 2019	Yes
IFRIC 23	Uncertainty over Income Tax Treatments	Jan. 1, 2019	Yes

These Interim Consolidated Financial Statements already include effects from the application of the new standards. The most significant effects result from the initial application of IFRS 16.

The main effects of the initial application of IFRS 16 result from the lessee's obligation to disclose all leases in the balance sheet.

IFRS 16 was issued in January 2016 and replaces IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. It further stipulates that an asset representing the right to use the underlying asset over the term of the lease must be capitalized (right-of-use asset). At the same time, a liability is recognized in the amount of the future lease payments less the interest portion (i.e. the lease liability). In the subsequent period, the lease liability is adjusted with an effect on expenses due to interest and a depreciation charge for the right of use.

The lessee is also required to remeasure the lease liability should certain events occur (e.g. a change in the lease term, a change in future lease payments due to a change in an index or rate used to measure liabilities or determine payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The standard includes two exemptions from accounting according to IFRS 16 – leases of low-value assets (e.g. PCs) and short-term leases (e.g. leases with a term of 12 months or less). IFRS 16 is to be initially applied in fiscal year beginning on or after January 1, 2019.

United Internet acts as both lessee and lessor. The majority of the Group's lessee contracts relate to the renting of network infrastructure, buildings, technical equipment and vehicles. In the case of buildings, various rental objects / leased items such as space (office space, computer center space, storage space or parking space etc.) may be listed as contractual objects (i.e. for rental by UI). The rented network infrastructure mainly comprises unlit fiber-optic cable (dark fiber), empty conduit systems, copper twin wires, and leases of subscriber lines (local loops).

Lessor accounting under IFRS 16 is substantially unchanged from previous accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17.

The United Internet Group has opted for the modified retrospective initial adoption method. In the case of modified retrospective application, the cumulative effect of IFRS 16 accounting is recognized as a one-off adjustment in equity in the opening balance sheet on the date of initial application, i.e. January 1, 2019. The United Internet Group has also chosen the option to recognize the right-of-use asset at the value of the corresponding lease liability on initial application.

The application of the new regulation led to an increase in non-current assets in the consolidated balance sheet of United Internet (for right-of-use assets) and at the same time to an increase in financial liabilities (due to the payment obligation). In the income statement, this led to a reduction in rental expenses, higher depreciation and interest expenses.

The right-of-use assets and lease liabilities were not disclosed separately in the balance sheet. As of January 1, 2019, the following right-of-use assets were identified and recognized in the balance sheet:

	Carrying amount as of Jan. 1, 2019 €k
Property, plant and equipment	
Right-of-use assets	
- Land and buildings	175,556
- Operational and office equipment	6,864
- Network infrastructure / telecommunication equipment	182,629
- thereof reclassification from IAS 17	80,852
Total right-of-use assets	**365,049**
Other financial liabilities	
Lease liabilities	
- current lease liabilities	85,594
- non-current lease liabilities	274,914
- thereof from finance leases pursuant IAS 17	81,940
Total lease liabilities	**360,508**
Reclassification as right-of-use assets from	
Property, plant and equipment	-80,852
Prepaid expenses	-10,023
Reclassification as lease liabilities	
Other financial liabilities (current)	-15,071
Other financial liabilities (non-current)	-67,153
Trade accounts payable (current)	-1,396
Trade accounts payable (non-current)	-2,690

The reconciliation of operating lease liabilities as of December 31, 2018, discounted with the appropriate incremental borrowing rates, and the opening balance sheet amount for lease liabilities as of January 1, 2019 is shown below:

	Jan. 1, 2019 €k
Operating lease: minimum lease payments (nominal) total as of Dec. 31, 2018	240,616
Changes due to new definition of leases	-4,865
Liabilities from finance leases pursuant to IAS 17 as of Dec. 31, 2018	82,224
plus term extension (beyond minimum term)	78,363
less discounting effect	-35,830
Financial liability IFRS 16 – Jan. 1, 2019	**360,508**

The changes resulting from the redefinition of leases relate to the practical expedients for short-term leases as well as leases for low-value assets.

The incremental borrowing rate is used to measure right-of-use assets and lease liabilities. The incremental borrowing rate is determined on the basis of reference interest rates for a period of up to 20 years from risk-free interest rates with appropriate maturities, plus credit risk premiums and adjusted for a liquidity and country risk premium.

Discounting as of January 1, 2019 was performed using weighted average incremental interest rates of 0.48% to 6.56%.

In the period from initial application of IFRS 16 until June 30, 2019, right-of-use assets amounting to € 31,096k have been added. These are divided into land and buildings (€ 8,116 k) and network infrastructure and communication equipment (€ 22,980k).

The effects on the income statement from January to June 2019 are as follows:

	IFRS 16 – H1 2019 €k
Depreciation of right-of-use assets	
- Land and buildings	17,854
- Operational and office equipment	2,013
- Network infrastructure	31,610
Total depreciation of right-of-use assets	**51,476**
Interest expense from lease liabilities	**5,389**
Expense for short-term leases	197
Expense for low-value leases	471

As of June 30, 2019, the carrying amounts of right-of-use assets, according to underlying asset category, were as follows:

	Carrying amount as of June 30, 2019 €k
Land and buildings	164,937
Operational and office equipment	4,848
Network infrastructure	173,999

As of June 30, 2019, the existing lease liabilities have the following terms:

	June 30, 2019 €k
Up to 1 year	80,984
1 to 5 years	159,037
Over 5 years	101,714
Total	**341,734**

No significant impact is expected from the other 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.

For the determination of lease terms in accordance with IFRS 16, certain discretionary decisions are made that take into account renewal or termination options.

Miscellaneous

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

The following companies were renamed in the reporting period 2019:
- 1&1 IONOS UK Holdings Ltd., Gloucester (formerly: 1&1 UK Holdings Ltd., Gloucester)
- 1&1 IONOS Ltd., Gloucester (1&1 Internet Ltd., Gloucester)
- 1&1 IONOS España S.L.U, Madrid (formerly: 1&1 Internet España S.L.U, Madrid)

In addition, the following company was founded in the reporting period 2019:
- Strato Customer Service GmbH, Berlin

Otherwise, the consolidated group remained largely unchanged from that stated in the Consolidated Financial Statements as at December 31, 2018.

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.

In the Interim Consolidated Financial Statements 2018, management and consolidated reporting was undertaken via the reporting segments "Access" and "Applications". For the preparation of the Consolidated Financial Statements as of December 31, 2018, the Management Board of United Internet decided to further increase the transparency of reporting and to report on 4 segments (previously: 2 reporting segments). In addition to the increase in transparency, the new segmentation also reflects more accurately the corporate structures within the United Internet Group.

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 "Consumer Access" and "Business Access" segments and the reporting segments "Consumer Applications" and "Business Applications".

Segment reporting of United Internet AG for the reporting period January 1 to June 30, 2019 and January 1 to June 30, 2018 was as presented in the tables on page 52.

As of the reporting date, the closing balances of capitalized contract costs for contract initiation costs amounted to € 173 million (prior year: € 153 million) and for contract fulfillment costs to € 117 million (prior year: € 128 million).

Sales of the Consumer Access segment from customer contracts include hardware sales of € 341 million in the reporting period. The other business segments only include sales from services.

4. Personnel expenses

Personnel expenses amounted to € 278,274k in the reporting period of 2019 (prior year: € 265,788k). At the end of June 2019, United Internet employed a total of 9,156 people, of which 1,583 were employed outside Germany. The number of employees at the end of June 2018 amounted to 8,999 people, of which 1,479 were employed outside Germany.

5. Depreciation and amortization

Depreciation and amortization of intangible assets and property, plant and equipment amounted to € 147,252k (prior year: € 99,215k).

Amortization of capitalized intangible assets resulting from business combinations amounted to € 91,959k (prior year: € 92,468k).

In the reporting period of 2019, total depreciation and amortization of intangible assets and property, plant and equipment thus amounted to € 239,219k (prior year: € 191,683k).

January – June 2019	Consumer Access segment €k	Business Access segment €k
Segment revenues	1,812,143	234,306
– thereof domestic	1,812,143	234,306
– thereof non-domestic	0	0
Segment revenue from transactions with other segments	818	27,721
Segment revenue from contracts with customers	1,811,325	206,585
– thereof domestic	1,811,325	206,585
– thereof non-domestic	0	0
EBITDA	340,387	70,164
EBIT	264,650	-28,776
Financial result		
Result from at-equity companies		
EBT	259,522	-32,661
Tax expense		
Net income		
Investments in intangible assets, property, plant and equipment (without goodwill)	5,186	84,717
Amortization/depreciation	75,737	98,940
– thereof intangible assets and property, plant and equipment	13,550	89,074
– thereof assets capitalized during company acquisitions	62,187	9,866
Number of employees	3,108	1,150
– thereof domestic	3,108	1,150
– thereof non-domestic	0	0

January – June 2018	Consumer Access segment €k	Business Access segment €k
Segment revenues	1,805,718	222,204
– thereof domestic	1,805,718	222,204
– thereof non-domestic	0	0
Segment revenue from transactions with other segments	956	25,565
Segment revenue from contracts with customers	1,804,762	196,639
– thereof domestic	1,804,762	196,639
– thereof non-domestic	0	0
EBITDA	340,220	25,660
EBIT	259,485	-37,761
Financial result		
Result from at-equity companies		
EBT		
Tax expense		
Net income		
Investments in intangible assets, property, plant and equipment (without goodwill)	5,154	86,455
Amortization/depreciation	80,735	63,421
– thereof intangible assets and property, plant and equipment	23,547	46,276
– thereof assets capitalized during company acquisitions	57,188	17,145
Number of employees	3,145	1,087
– thereof domestic	3,145	1,087
– thereof non-domestic	0	0

Consumer Applications segment €k	Business Applications segment €k	Corporate segment €k	Reconciliation €k	United Internet Group €k
123,837	443,284	746	-38,469	2,575,847
120,224	227,455	746	-34,270	2,360,604
3,613	215,829	0	-4,199	215,243
7,755	2,175	0	38,469	0
116,082	441,109	746		2,575,847
112,567	225,280	746		2,356,503
3,515	211,728	0		215,243
47,273	148,298	23,885		630,007
39,136	95,176	20,602		390,788
				-17,706
				-43,735
37,820	39,173	25,494		329,348
				-103,837
				225,511
2,332	36,283	5,357	–	133,875
8,137	53,122	3,283	–	239,219
8,137	33,216	3,283	–	147,260
0	19,906	0	–	91,959
976	3,345	577	–	9,156
972	1,766	577	–	7,573
4	1,579	0	–	1,583

140,240	419,325	920	-39,521	2,548,886
136,077	211,820	920	-23,374	2,353,365
4,163	207,505	0	-16,147	195,521
10,925	2,075	0	39,521	0
129,315	417,250	920		2,548,886
125,690	225,354	920		2,353,365
3,625	191,896	0		195,521
54,541	148,866	-3,765		565,522
48,314	107,350	-3,549		373,839
				-13,096
				-2,479
				358,264
				-114,798
				243,466
1,128	25,749	3,683	-	122,169
6,227	41,516	-216	-	191,683
6,208	23,400	-216	-	99,215
19	18,116	0	-	92,468
956	3,359	452	-	8,999
952	1,884	452	-	7,520
4	1,475	0	-	1,479

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:

	2019 **€k**
Carrying amount at the beginning of the fiscal year	206,856
Additions	4,548
Adjustments	
- Dividends	0
- Shares in result	-9,543
- Impairment	-34,192
- Other	261
Disposals	-7,290
Carrying amount on June 30, 2018	**160,640**

Impairments mainly refer to writedowns on shares of TeleColumbus AG.

7. Other financial assets

The development of these shares was as follows:

	Jan. 1, 2019 **€k**	**Additions** **€k**	**Change in revaluation reserve** **€k**	**Disposals** **€k**	**June 30, 2019** **€k**
Afilias shares	42,796				42,796
Rocket Internet shares	276,866		71,069		347,935
Other	28,384	1,648		-525	29,507
	348,046	**1,648**	**71,069**	**-525**	**420,238**

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

A total of € 133,875k (prior year: € 122,169k) 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 € 3,613,274k disclosed as of June 30, 2019 includes assets belonging to the Consumer Access segment (€ 2,178,460k), Business Access segment (€ 398,261k), Consumer Applications segment (€ 225,848k) and Business Applications segment (€ 810,706k).

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

	2019 €k	2018 €k
Bank loans	1,820,425	2,045,643
Less		
Current portion of liabilities due to banks	-286,613	-303,579
Non-current portion of liabilities due to banks	**1,533,812**	**1,742,064**
Short-term loans/overdrafts	286,613	303,579
Current portion of liabilities due to banks	**286,683**	**303,579**
Total	**1,820,425**	**2,045,643**

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 leases.

12. Other non-current financial liabilities

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

13. Capital stock / treasury shares

As of June 30, 2019, the fully paid-in capital stock amounted to € 205,000,000 (unchanged from December 31, 2018) 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 4,702,990 treasury shares (prior year: 4,702,202).

14. Reserves

The change in revaluation reserves results mainly from the subsequent valuation of shares in Rocket Internet SE. Please see Note 7 for details.

OTHER ITEMS

15. Employee stock ownership plans

Stock Appreciation Rights (SAR United Internet)

The expense from stock appreciation rights (SAR United Internet) in the first six months 2019 amounted to € 263k.

Stock Appreciation Rights Drillisch (SAR Drillisch)

The expense from the stock appreciation rights of Drillisch (SAR Drillisch) in the first six months 2019 amounted to € 2,312k.

Long Term Incentive Plan Business Applications (LTIP Hosting)

In the first six months 2019, expenses of € 3,077k were incurred in connection with LTIP Hosting employee stock ownership plans.

Long Term Incentive Plan Versatel (LTIP Versatel)

In the first six months 2019, expenses of € 334k were incurred in connection with LTIP Versatel employee stock ownership plans.

Long Term Incentive Plan Portal (LTIP Portal)

In the first six months 2019, expenses of € 342k were incurred in connection with LTIP Portal employee stock ownership plans.

16. Additional details on financial instruments

The table on page 59 presents the carrying amounts of each category of the financial assets and liabilities as of June 30, 2019.

The following net results were stated for the individual categories of financial instruments acc. to IFRS 9 in fiscal year 2019:

Net result acc. to measurement categories	Measurement categories acc. to IFRS 9	From interest and dividends €k	Net profits and losses from subsequent measurement			Net result €k
			At fair value €k	Currency translation €k	Value adjust-ment €k	
Financial assets at amortized cost	ac	2,726		-190	-35,075	-32,538
Financial assets at fair value						
- through other comprehensive income	fvoci		71,069			71,069
- through profit or loss	fvtpl		-5,100			-5,100
Financial liabilities at amortized cost	flac	-20,583		-81		-20,664
Financial liabilities at fair value						
- through profit or loss	fvtpl		-1,920			-1,920
Total		**-17,857**	**64,049**	**-271**	**-35,075**	**10,847**

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 reporting date are thus similar to fair value.

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

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

Non-current liabilities due to banks are loans which can be prematurely redeemed. In addition, both the basic interest rate and the margin are variable. The margin depends on predefined KPIs of the United Internet Group. Due to these factors, it is assumed that their carrying amounts of non-current liabilities correspond approximately to fair value. The fair value measurement of the promissory note loans is based at least in part on input parameters not observable on the market.

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

The conditional purchase price liabilities are carried at fair value. 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.

	Measurement category acc. to IFRS 9	Carrying amount on June 30, 2019 €k	Amortized cost €k	Fair value through other compre-hensive income €k	Fair value through profit or loss €k	Measure-ment acc. to IFRS 16 €k	Fair value as of June 30, 2019 €k
Financial assets							
Cash and cash equivalents	ac	47,935	47,935				47,935
Trade accounts receivable							
- Receivables from finance leases	n/a	62,043				62,043	62,043
- Others	ac	350,299	350,299				350,299
Other current financial assets							
- Derivatives	fvtpl				0		0
- Others	ac	60,169	60,169				60,169
Other non-current financial assets							
- At amortized cost	ac	12,017	12,017				12,017
- At fair value through other comprehensive income	fvoci	390,731		390,731			390,731
- At fair value through profit or loss	fvtpl	17,490			17,490		17,490
Financial liabilities							
Trade accounts payable	flac	-427,901	-427,901				-427,901
Liabilities due to banks	flac	-1,820,425	-1,820,425				-1,830,132
Other financial liabilities							
- Lease liabilities	n/a	-341,734				-341,734	-341,734
- At fair value through profit or loss	fvtpl	-12,486			-12,486		-12,486
- Others	flac	-123,494	-123,494				-123,494
Of which aggregated acc. to valuation categories:							
Financial assets at amortized cost	faac	470,420	470,420	0	0	0	470,420
Financial assets at fair value through other comprehensive income without recycling to profit and loss	fvoci	390,731	0	390,731	0	0	390,731
Financial assets at fair value through profit or loss	fvtpl	17,490	0	0	17,490	0	17,490
Financial liabilities measured at amortized cost	flac	-2,371,820	-2,371,820	0	0	0	-2,381,527
Financial liabilities measured at fair value through profit or loss	fvtpl	-12,486	0	0	-12,486	0	-12,486

The methods and assumptions used to determine fair values are shown below:

- Cash and short-term deposits, trade accounts receivable, trade accounts payable, and other current assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at June 30, 2019, and as in the previous year, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

- The fair value of bank loans and other financial liabilities is estimated by discounting future cash flows using interest rates currently available for debt on similar terms, credit risk and remaining maturities.

- Financial assets and liabilities measured at fair value are measured using appropriate measurement techniques. Where available, stock exchanges prices on active markets are used. The valuation of shares in non-listed companies is based mainly on present value models. The valuation of derivatives and conditional purchase price liabilities is based mainly option pricing models.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by measurement technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Assets and liabilities measured at fair value

	As of June 30, 2019 €k	Level 1 €k	Level 2 €k	Level 3 €k	As of Dec. 31, 2018 €k	Level 1 €k	Level 2 €k	Level 3 €k
Financial assets at fair value through other comprehensive income without recycling to profit or loss	**390,731**	**347,935**		**42,796**	**319,662**	**276,866**		**42,796**
– Listed shares	347,935	347,935			276,866	276,866		
– Non-listed equity instruments	42,796			42,796	42,796			42,796
Financial assets at fair value through profit or loss	**17,490**			**17,490**	**22,590**			**22,590**
– Derivatives	17,490			17,490	22,590			22,590
Financial liabilities at fair value through profit or loss	**-12,486**			**-12,486**	**-10,566**			**-10,566**
– Purchase price obligations	-12,486			-12,486	-10,566			-10,566

As in the previous year, there were no transfers between levels during the reporting period.

The following table shows the main non-observable input factors for the fair value measurements categorized in Level 3 of the fair value hierarchy and a quantitative sensitivity analysis as of June 30, 2019:

	Measurement method	Main non-observable input factors	Considered in measu-rement	Sensitivity of input factor on fair value	
Non-listed equity instrument	DCF method	Long-term growth rate of cash flows for subsequent years	0.50%	+ 0.25% + €1.0 million	- 0.25% - €0.95 million
Foreign currency-based derivatives	Black Scholes model	Exit date of Warburg Pincus from Business Application segment as of Dec. 31, 2018	3 years	+ 1 year + €1.12 million	- 1 year - €1.78 million
		Volatility	6.26%	+ 1 % + €0.99 million	- 1 % - €1.12 million
Earnings-based derivatives	Monte Carlo simulation	Exit date of Warburg Pincus from Business Application segment as of Dec. 31, 2018	3 years	+ 1 year + €0.2 million	- 1 year - €0.94 million
		Volatility	37.48%	+ 1 % + €0.05 million	- 1 % - €0.06 million
Conditional purchase price liability	Monte Carlo simulation	Exit date of Warburg Pincus from Business Application segment as of Dec. 31, 2018	3 years	+ 1 year + €0.17 million	- 1 year - €0.78 million
		Volatility	37.48%	+ 1 % + €0.04 million	- 1 % - €0.05 million
Conditional purchase price liability	Modified mulitiple	EBITDA growth	5%	+ 1 % + €0.1 million	- 1 % - €0.1 million

In the case of the remaining other non-current financial 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.

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, 2018.

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, 2019 is shown in the following table:

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

Supervisory Board	Shares (number)
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 € 4,451k in the reporting period (prior year: € 4,529k).

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

No significant transactions took place.

18. Other financial obligations / order commitments

Drillisch Netz AG, a wholly-owned subsidiary of 1&1 Drillisch AG, successfully participated in the 5G spectrum auction ending on June 12, 2019 and purchased two frequency blocks of 2 x 5 MHz in the 2 GHz band and five frequency blocks of 10 MHz in the 3.6 GHz band. The total auction price amounted to around € 1.07 billion, of which around € 735 million is due for the frequency blocks in the 3.6 GHz band within 65 banking days after bid acceptance, according to the auction conditions. A further approx. € 335 million for the frequency blocks in the 2 GHz band is payable up to June 30, 2024, as this spectrum will not be available until January 1, 2026.

This transaction was not reflected in the balance sheet as of June 30, 2019, as the Federal Network Agency had not yet made a concrete allocation of the frequency blocks at the time of reporting.

19. 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 15, 2019

United Internet AG

Ralph Dommermuth Frank Krause

NET INCOME

Quarterly development in € million

	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q2 2018
Sales	1,267.0	1,314.9	1,286.1	1,289.7	1,278.2
Cost of sales	-824.3	-856.1	-849.6	-852.1	-846.4
Gross profit	**442.7**	**458.8**	**436.5**	**437.6**	**431.7**
Selling expenses	-166.5	-167.6	-190.5	-183.1	-174.3
General and administrative expenses	-53.9	-55.8	-57.2	-56.9	-54.2
Other operating expenses / income	7.8	22.8	9.9	37.8	7.0
Impairment losses on receivables and contract assets	-21.1	-30.0	-17.7	-25.6	-19.4
Operating result	**209.0**	**228.2**	**181.0**	**209.8**	**190.9**
Financial result	-5.5	-9.0	-3.7	-14.0	-6.4
Result from associated companies	-230.0	10.9	-48.1	4.4	1.4
Pre-tax result	**-26.4**	**230.1**	**129.2**	**200.1**	**185.9**
Income taxes	-61.8	-73.2	-52.9	-50.9	-58.3
Net income	**-88.3**	**156.9**	**76.3**	**149.2**	**127.6**
Attributable to					
– non-controlling interests	37.3	25.2	27.3	30.5	28.4
– shareholders of United Internet AG	-125.6	131.7	49.0	118.7	99.2
Result per share of shareholders of United Internet AG (in €)					
- basic	-0.63	0.66	0.24	0.60	0.50
- diluted	-0.63	0.66	0.24	0.60	0.50

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 15, 2019

The Management Board

Ralph Dommermuth Frank Krause

FINANCIAL CALENDAR

March 28, 2019	Annual financial statements for fiscal year 2018 Press and analyst conference
May 15, 2019	Interim Statement for the first quarter 2019
May 23, 2019	Annual Shareholders' Meeting, Alte Oper, Frankfurt/Main
August 15, 2019	6-Month Report 2019 Press and analyst conference
November 12, 2019	Interim Statement for the first 9 months 2019

IMPRINT

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August 2019
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.

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

United Internet AG

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