



6-Month Report 2016

SELECTED KEY FIGURES

	June 30, 2016	June 30, 2015	Change
NET INCOME (IN € MILLION)⁽¹⁾			
Sales	1,951.2	1,823.4	+ 7.0%
EBITDA ⁽¹⁾	400.3	345.7	+ 15.8%
EBIT ⁽¹⁾	303.4	236.7	+ 28.2%
EBT ⁽¹⁾	291.9	233.2	+ 25.2%
EBT after impairment	37.0	233.2	- 84.1%
EPS (in €) ⁽¹⁾	1.00	0.82	+ 22.0%
EPS after impairment (in €)	-0.25	0.82	
BALANCE SHEET (IN € MILLION)			
Current assets	614.9	418.2	+ 47.0%
Non-current assets	3,422.0	3,299.4	+ 3.7%
Equity	1,049.2	1,112.4	- 5.7%
Equity ratio	26.0%	29.9%	
Total assets	4,036.9	3,717.6	+ 8.6%
CASH FLOW (IN € MILLION)			
Operative cash flow	305.9	251.6	+ 21.6%
Cash flow from operating activities ⁽³⁾	145.6	158.5	- 8.1%
Cash flow from investing activities	- 328.5	- 518.6	
Free cash flow ^(2,3)	74.9	98.9	- 24.3%
Adjusted free cash flow ⁽⁴⁾	174.9	98.9	+ 76.8%
EMPLOYEES AT THE END OF JUNE			
Total	8,076	7,875	+ 2.6%
thereof in Germany	6,421	6,329	+ 1.5%
thereof abroad	1,655	1,546	+ 7.1%
SHARE (IN €)			
Share price at end of June (Xetra)	37.20	39.88	- 6.7%

	June 30, 2016	June 30, 2015	Change
CUSTOMER CONTRACTS (IN MILLION)			
Access, total contracts	8.25	7.24	+ 1.01
thereof Mobile Internet	3.86	2.99	+ 0.87
thereof DSL complete (ULL)	4.18	3.99	+ 0.19
thereof T-DSL / R-DSL	0.21	0.26	- 0.05
Business Applications, total contracts	6.03	5.81	+ 0.22
thereof in Germany	2.34	2.38	- 0.04
thereof abroad	3.69	3.43	+ 0.26
Consumer Applications, total accounts	35.54	34.11	+ 1.43
thereof with Premium Mail subscription (contracts)	1.74	1.81	- 0.07
thereof with Value-Added subscription (contracts)	0.44	0.35	+ 0.09
thereof free accounts	33.36	31.95	+ 1.41
Fee-based customer contracts, total	16.46	15.21	+ 1.25

(1) Key earnings figures H1 2015 without effects from sale of Goldbach shares (EBITDA, EBIT, EBT effect = € +5.6 million; EPS effect = € +0.03); Key earnings figures H1 2016 without effects from writedowns on financial assets (Rocket impairment) (EBT effect = € -254.9 million; EPS effect = € -1.25)

(2) 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

(3) Cash flow from operating activities and free cash flow in H1 2015 without capital gains tax refund of € 326.0 million

(4) Free cash flow H1 2016 adjusted for income tax payment of around € 100.0 million originally due in Q4 2015

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



United Internet AG continued its positive development of the past years in the first half of 2016. Once again we achieved strong improvements in our customer contract figures, sales revenues, and key earnings ratios based on operating activities.

We continued to invest heavily in new customer relationships in the first half of 2016. As a result, we raised the number of fee-based customer contracts by 490,000 in the reporting period – and thus by an even greater amount than in the first half of 2015 (430,000 contracts) – to 16.46 million. This customer growth was driven in particular by our Access business, which generated 380,000 new Mobile Internet contracts and 70,000 DSL contracts. In the Applications segment, we added 40,000 fee-based contracts and 210,000 ad-financed accounts during the reporting period.

Thanks to the further strong year-on-year increase in customer figures, there was a 7.0% increase in consolidated sales from € 1,823.4 million in the previous year to the new record figure of € 1,951.2 million in the first half of 2016.

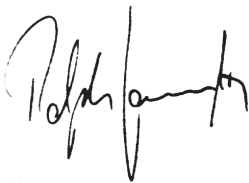
Despite heavy investment in the above mentioned customer growth, earnings before interest, taxes, depreciation and amortization (EBITDA) rose by 15.8%, from € 345.7 million (comparable prior-year figure without effects from the sale of our Goldbach shares) to € 400.3 million, while earnings before interest and taxes (EBIT) increased by 28.2%, from € 236.7 million (comparable prior-year figure) to € 303.4 million. Earnings per share from operating activities (operating EPS) improved by 22.0%, from € 0.82 (comparable prior-year figure) to € 1.00. Before amortization of purchase price allocations (PPA), which mainly relate to the Versatel acquisition, operating EPS rose by 20.0% from € 0.90 (comparable prior-year figure) to € 1.08.

As announced in our Annual Financial Statements 2015, and in line with the applicable accounting and valuation methods of United Internet, we wrote down the value of shares we hold in Rocket Internet SE in our non-operating business in the first and second quarters of 2016. In view of the closing price (Xetra) for Rocket Internet shares of € 17.47 as of June 30, 2016, the impairment charges had a total non-cash effect on pre-tax earnings (EBT) of € -254.6 million and of € -1.25 on EPS in the first half of 2016. United Internet is still convinced that Rocket Internet has significant market opportunities. The impairment charges do not impact our dividend policy nor our guidance for 2016, as these are based on earnings from operating activities (without special items). As a result of the Rocket impairment, EPS was reduced in total to € -0.25 and EPS before PPA to € -0.17 in the first half of 2016.

Due to the good performance of our operating business in the first half of 2016, we are upholding our sales and earnings guidance for 2016 with expected sales of approx. € 4 billion and EBITDA of approx. € 850 million. As our acquisition of new customers made better progress than expected, we are raising our contract guidance by 100,000 new contracts to approx. 900,000.

We are very well prepared for the next steps in our company's development and upbeat about our prospects for the remaining months of the fiscal year. In view of 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 customers for the trust they continue to place in United Internet AG.

Montabaur, August 11, 2016

A handwritten signature in black ink, appearing to read 'Ralph Dommermuth', with a stylized, flowing script.

Ralph Dommermuth

INTERIM GROUP MANAGEMENT REPORT

FOR THE FIRST HALF OF 2016

Principles of the Group

Business model

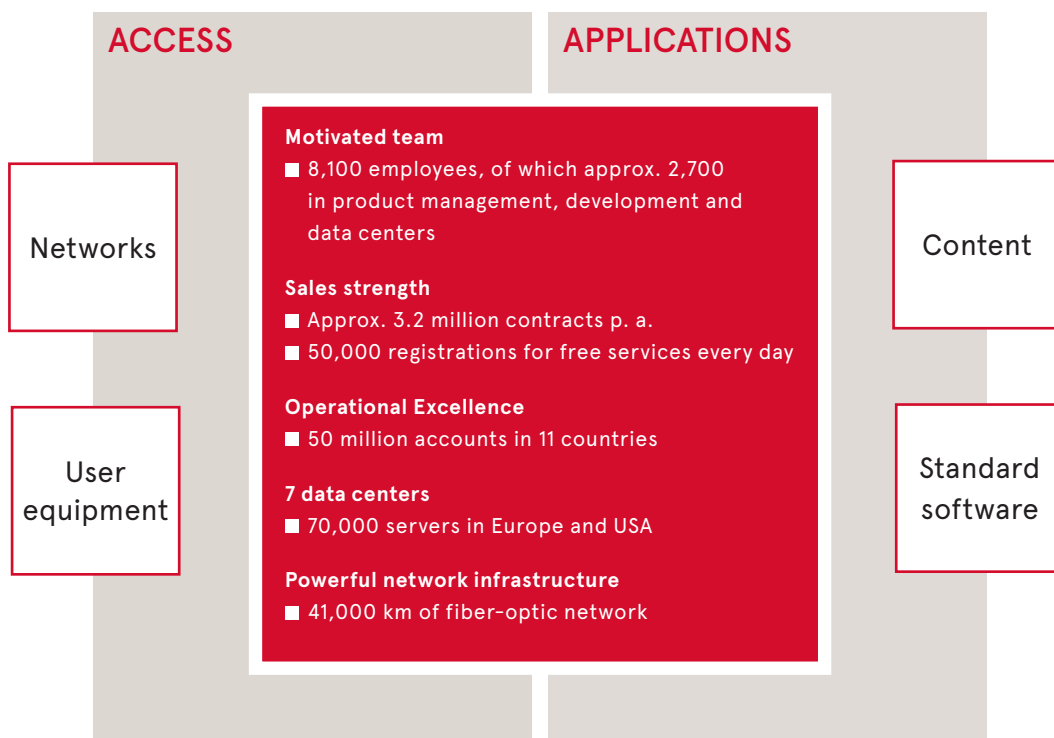
Founded in 1988 and headquartered in Montabaur, Germany, United Internet AG is Europe's leading internet specialist with 16.46 million fee-based customer contracts and 33.36 million ad-financed free accounts around the world.

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

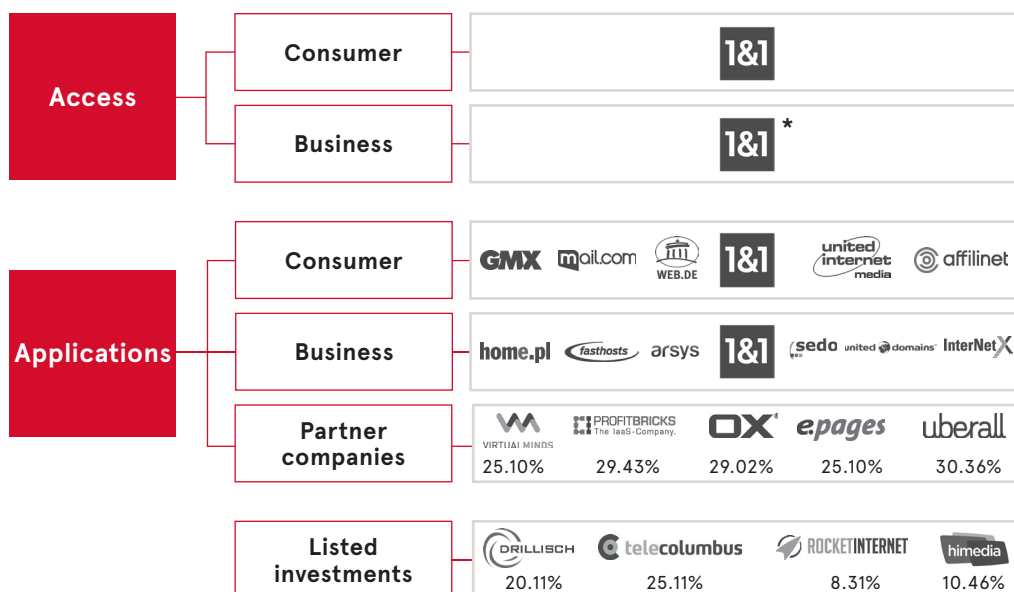
The **Access segment** comprises the Group's fee-based landline and mobile access products, including the respective applications (such as home networks, online storage, telephony, video-on-demand or IPTV). In addition to these products for home users and small firms, the company also offers – since the complete takeover of Versatel (now 1&1 Versatel) on October 1, 2014 – data and network solutions for SMEs, as well as infrastructure services for large corporations. With a length of 41,373 km (prior year: 40,036 km), the 1&1 Versatel network is Germany's second-largest fiber-optic network. With its own network infrastructure, United Internet also has the opportunity to gradually extend its vertical integration and reduce its purchases of DSL pre-services. United Internet operates exclusively in Germany in its Access segment, where it is one of the leading providers. The company uses the 1&1 Versatel network and also purchases standardized network services from various pre-service providers. These are enhanced with end-user devices, self-developed applications and services from the company's own "Internet Factory" in order to differentiate them from the competition. Access products are marketed by the well-known brands GMX, WEB.DE, and 1&1, which enable the company to offer a comprehensive range of products while also targeting specific customer groups.

The **Applications segment** comprises the Group's application business – whether ad-financed or via fee-based subscriptions. These applications include domains, home pages, webhosting, servers and e-shops, Personal Information Management applications (e-mail, to-do lists, appointments, addresses), group work, online storage and office software. The applications are developed by the company's "Internet Factory" or in cooperation with partner firms and operated at the company's data centers. In its Applications segment, United Internet is also a global player with activities in numerous European countries (Germany, France, the UK, Italy, Austria, Poland, Switzerland and Spain) as well as North America (Canada, Mexico and the USA). Applications are marketed to specific target groups via the differently positioned brands GMX, mail.com, WEB.DE, 1&1, Arsys, InterNetX, Fasthosts, home.pl, and united-domains. United Internet also offers its customers performance-based advertising and sales platforms on the internet via Sedo and affilinet.

Business model



Brands and investments (as of June 30, 2016)



* Versatel GmbH renamed as of July 1, 2016

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 2015 (Annual Report 2015, pages 32 et seq.). There have been no significant changes from the Group perspective.

Research and development

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

At the same time, the United Internet brands stand for internet access, solutions and innovative web-based applications which are mostly developed in-house. 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 2,700 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 2016:

- Expansion of 1&1 MyWebsite with addition of new design features
- Launch of 1&1 Cloud App Center
- Roll-out of 1&1 Marketing Toolbox for small and mid-size companies
- Launch of 1&1 Fiber-Optic Business Tariffs
- Roll-out of DNSSEC/DANE security standard for GMX and WEB.DE
- Introduction of a big data analytics platform

General economic, sector and legal conditions

Macroeconomic development

As a result of the Brexit vote, the International Monetary Fund (IMF) has downgraded its forecast for the **global economy** and in its updated economic outlook for 2016 (World Economic Outlook, Update July 2016) now anticipates global growth of just 3.1% – 0.3 percentage points down on the beginning of the year (January forecast).

According to the IMF's latest forecast, Brexit has significantly increased the economic, political and institutional uncertainties. Without the vote, the Fund would have even upgraded its growth outlook for the global economy. The IMF's chief economist Maurice Obstfeld stated that the exact effects were currently hard to quantify. An even worse development was also feasible. Apart from Brexit, the IMF sees further risks for the global economy, including the unresolved problems of Europe's banking system (especially in Italy and Portugal), a lack of structural reforms, growing protectionism, the refugee crisis, geopolitical concerns and terrorism.

During the course of the year, the IMF has now downgraded all its forecasts for the United Internet Group's main target markets (with the exception of France) compared to its January outlook. Specifically, the IMF reduced its growth forecast for the **USA** by 0.4 percentage points to 2.2%. The outlook for **Canada** and **Mexico** was also downgraded by 0.3 and 0.1 percentage points to 1.4% and 2.5%, respectively. The IMF's forecast for the **eurozone** was reduced by 0.1 percentage points to 1.6% – whereby the outlook for **France** was raised by 0.2 percentage points to 1.5%, while the forecast for **Spain** was decreased by 0.1 percentage points to 2.6% and for **Italy** by 0.4 percentage points to 0.9%. The IMF's economists believe that Brexit will hit the non-eurozone nation **UK** the hardest and therefore forecast growth of just 1.7% (down 0.5 percentage points on the beginning of the year). For United Internet's most important market, **Germany** (share of sales in 2015: around 90%), the IMF has lowered its outlook during the year so far by 0.1 percentage points to 1.6%.

Changes in 2016 growth forecasts for United Internet's key target countries and regions

	January forecast	April forecast	July forecast	Change on January
World	3.4%	3.2%	3.1%	- 0.3 percentage points
USA	2.6%	2.4%	2.2%	- 0.4 percentage points
Canada	1.7%	1.5%	1.4%	- 0.3 percentage points
Mexico	2.6%	2.4%	2.5%	- 0.1 percentage points
Eurozone	1.7%	1.5%	1.6%	- 0.1 percentage points
France	1.3%	1.1%	1.5%	+ 0.2 percentage points
Spain	2.7%	2.6%	2.6%	- 0.1 percentage points
Italy	1.3%	1.0%	0.9%	- 0.4 percentage points
UK	2.2%	1.9%	1.7%	- 0.5 percentage points
Germany	1.7%	1.5%	1.6%	- 0.1 percentage points

Source: International Monetary Fund, World Economic Outlook (Update), July 2016

Germany's stable economic development in the first half of 2016 is also illustrated by the sentiment barometer (adjusted for price, seasonal and calendar effects) of the German Institute for Economic Research (DIW Berlin), which calculated GDP growth for the first and second quarters of 2016 (and thus for the pre-Brexit period) of 0.7% and 0.3%, respectively. According to DIW, the initial impact of the Brexit vote on German exports is likely to result mainly from an expected fall in output of UK companies and the strong devaluation of the British pound.

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

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
GDP	+ 0.3%	+ 0.4%	+ 0.3%	+ 0.3%	+ 0.7%	+ 0.3%

Source: German Institute for Economic Research (DIW); status: July 27, 2016

Legal conditions / significant events

In the first half of 2016, the legal parameters for United Internet's business activities remained largely unchanged from fiscal year 2015 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 2016 which had a material influence on the development of business.

Business development of the Group

Development of the Access segment

United Internet continued to invest heavily in new customer relationships in the first half of 2016. As a result, the number of **fee-based contracts** in the Access segment rose by 450,000 contracts – as in the previous year – to 8.25 million during the reporting period. In the period under review, a total of 380,000 contracts were added in the company's Mobile Internet business, thus taking the total number of customers to 3.86 million. There was also growth in the important complete DSL contracts (ULL = Unbundled Local Loop) with the addition of 100,000 customer contracts to reach a total of 4.18 million. As expected, the number of customer contracts for those business models being phased out (T-DSL and R-DSL) continued to fall slightly (–30,000 customer relationships). The total number of DSL contracts therefore grew by a further 70,000 contracts to 4.39 million.

Development of Access contracts in the first half of 2016 (in million)

	June 30, 2016	Dec. 31, 2015	Change
Access, total contracts	8.25	7.80	+ 0.45
thereof Mobile Internet	3.86	3.48	+ 0.38
thereof DSL complete (ULL)	4.18	4.08	+ 0.10
thereof T-DSL / R-DSL	0.21	0.24	- 0.03

Development of Access contracts in the second quarter of 2016 (in million)




	June 30, 2016	March 31, 2016	Change
Access, total contracts	8.25	8.04	+ 0.21
thereof Mobile Internet	3.86	3.68	+ 0.18
thereof DSL complete (ULL)	4.18	4.14	+ 0.04
thereof T-DSL / R-DSL	0.21	0.22	- 0.01

As a result of this dynamic customer growth, **sales of the Access segment** rose by 7.2% in the first half of 2016, from € 1,338.7 million in the previous year to € 1,434.7 million.

Despite heavy investment in the above mentioned customer growth, there was further strong growth in key earnings figures. **Segment EBITDA** increased by 14.4%, from € 217.6 million in the previous year to € 249.0 million, while **segment EBIT** improved by 30.8%, from € 138.5 million to € 181.1 million.

All **customer acquisition costs** for DSL and Mobile Internet products, as well as costs for the migration of resale DSL connections to complete DSL packages and upgrades to VDSL connections, continue to be charged directly as expenses.

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

Sales		1,434.7	+ 7.2%
EBITDA		249.0	+ 14.4%
EBIT		181.1	+ 30.8%

 H1 2016
 H1 2015

Quarterly development (in € million); change over previous quarter

	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q2 2015	Change
Sales	696.5	707.4	709.7	725.0	676.5	+ 7.2%
EBITDA	127.0	147.5	124.3	124.7	108.4	+ 15.0%
EBIT	88.4	109.5	90.5	90.6	68.6	+ 32.1%

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

	H1 2012	H1 2013	H1 2014	H1 2015	H1 2015
Sales	764.0	863.2	972.5	1,338.7	1,434.7
EBITDA	88.4	108.8	128.0	217.6	249.0
EBITDA margin	11.6%	12.6%	13.2%	16.3%	17.4%
EBIT	75.0	94.5	113.8	138.5	181.1
EBIT margin	9.8%	10.9%	11.7%	10.3%	12.6%

Development of the Applications segment

In the Applications segment, the main focus is on the sale of additional features to existing customers (e.g. further domains, e-shops and business apps), as well as the acquisition of high-value customer relationships. In the first half of 2016, the number of fee-based **contracts for Business Applications** rose by 40,000 contracts to 6.03 million.

Development of Business Applications contracts in the first half of 2016 (in million)

	June 30, 2016	Dec. 31, 2015	Change
Business Applications, total contracts	6.03	5.99	+ 0.04
thereof in Germany	2.34	2.35	- 0.01
thereof abroad	3.69	3.64	+ 0.05

Development of Business Applications contracts in the second quarter of 2016 (in million)

	June 30, 2016	March 31, 2016	Change
Business Applications, total contracts	6.03	6.02	+ 0.01
thereof in Germany	2.34	2.35	- 0.01
thereof abroad	3.69	3.67	+ 0.02

In the field of Consumer Applications, the main focus is still on monetizing ad-financed accounts – in view of further strong demand for online advertising. United Internet therefore limited the ad space for its own pay products once again in the first half of 2016. Despite this limitation, the number of pay accounts remained stable at 2.18 million. At the same time, the number of free accounts rose by 210,000 to 33.36 million in the reporting period. As a result, the total **number of Consumer Accounts** rose by 210,000 to 35.54 million accounts in the first half of 2016.

Development of Consumer Applications accounts in the first half of 2016 (in million)

	June 30, 2016	Dec. 31, 2015	Change
Consumer Applications, total accounts	35.54	35.33	+ 0.21
thereof with Premium Mail subscription	1.74	1.77	- 0.03
thereof with Value-Added subscription	0.44	0.41	+ 0.03
thereof free accounts	33.36	33.15	+ 0.21

Development of Consumer Applications accounts in the second quarter of 2016 (in million)

	June 30, 2016	March 31, 2016	Change
Consumer Applications, total accounts	35.54	35.67	- 0.13
thereof with Premium Mail subscription	1.74	1.75	- 0.01
thereof with Value-Added subscription	0.44	0.43	+ 0.01
thereof free accounts	33.36	33.49	- 0.13




By successfully expanding business with existing customers, focusing on high-quality customer relationships, and increasingly monetizing our free accounts via advertising, **sales of the Applications** segment rose by 7.7% in the first half of 2016 (currency-adjusted by 8.8%), from € 496.8 million in the previous year to € 535.1 million. Of this total, **sales generated abroad** increased by 11.3%, from € 191.4 million to € 213.0 million – due in part to the initial consolidation of home.pl.

Key earnings figures easily outpaced this growth in sales. **Segment EBITDA** rose by 14.3% (currency-adjusted by 15.7%), from € 136.0 million in the previous year to € 155.4 million, while **segment EBIT** increased by 19.4% from € 106.3 million to € 126.9 million.

Currency-adjusted sales and earnings figures are calculated by converting the sales and earnings figures of the current reporting period with the standard conversion rates used in the previous year.

Customer acquisition costs were once again charged directly as expenses, also in this segment.

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

Sales		535.1	+ 7.7%
EBITDA		155.4	+ 14.3%
EBIT		126.9	+ 19.4%

 H1 2016
 H1 2015

Quarterly development (in € million); change over previous quarter

	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q2 2015	Change
Sales	244.9	259.5	268.8	266.2	249.3	+ 6.8%
EBITDA	72.6	73.3	80.4	75.0	67.8	+ 10.6%
EBIT	57.3	58.9	65.9	61.1	53.0	+ 15.3%

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

	H1 2012	H1 2013	H1 2014	H1 2015	H1 2016
Sales	399.3	419.6	460.9	496.8	535.1
EBITDA	58.6	70.8	113.4	136.0	155.4
EBITDA margin	14.7%	16.9%	24.6%	27.4%	29.0%
EBIT	27.2	39.5	83.6	106.3	126.9
EBIT margin	6.8%	9.4%	18.1%	21.4%	23.7%

Significant changes in investments

United Internet becomes largest shareholder of Tele Columbus

Via its subsidiary United Internet Ventures AG, United Internet contractually secured the acquisition of a share package amounting to approx. 15.31% of shares in Tele Columbus AG, Berlin, Germany, on February 10, 2016. At the time, the closing of the acquisition was subject to approval by the German anti-trust authority ("Bundeskartellamt"). This approval was granted on March 7, 2016. After closing the acquisition, United Internet has a total indirect shareholding – together with further shares acquired – of 25.11% in Tele Columbus.

United Internet believes that Tele Columbus AG is well positioned with attractive market opportunities. As a strategic investor, it plans to accompany the company's ongoing development and benefit from its growth in value.

Sale of Hipay shares

On May 2, 2016, United Internet sold its stake (8.37%) in the listed company Hipay Group S.A., France. The share sale resulted in proceeds of around € 4.5 million.

Share and dividend

The **United Internet share** fell victim to stock exchange turbulence in the first half of 2016 with a decline in value of 26.9% to € 37.20 as of June 30, 2016 (December 31, 2015: € 50.91). Compared to the previous year (June 30, 2015: € 39.88), the share price was down by 6.7%.

Share development

	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016
Closing price (Xetra)	€ 13.55	€ 21.69	€ 32.18	€ 39.88	€ 37.20
Performance	- 6.6%	+ 60.1%	+ 48.4%	+ 23.9%	- 6.7%
Number of shares	215 million	194 million	194 million	205 million	205 million
Market value	€ 2.91 billion	€ 4.21 billion	€ 6.24 billion	€ 8.18 billion	€ 7.63 billion

United Internet AG continued its shareholder-friendly dividend policy in 2016. At the Annual Shareholders' Meeting held on May 19, 2016, shareholders voted to accept the proposal of the Management Board and Supervisory Board to pay a **dividend** of € 0.70 (prior year: € 0.60) per share for the fiscal year 2015. A total dividend payment of € 142.9 million (prior year: € 122.3 million) was made on May 20, 2016. The payout ratio was thus 39.0% of consolidated net income after tax for 2015 and at the upper end of the range targeted by the company's dividend policy (20-40% of adjusted consolidated net income, unless funds are required for further company development). Based on the closing price of the United Internet share on June 30, 2016, the dividend yield was 1.9%.

Dividend development

	For 2011	For 2012	For 2013	For 2014	For 2015
Dividend per share (in €)	0.30	0.30	0.40	0.60	0.70
Dividend payment (in € million)	58.1	58.0	77.5	122.3	142.9
Payout ratio	35.8%	53.6%	37.4%	27.3%	39.0%
Payout ratio without special items ⁽¹⁾	35.8%	37.5%	37.4%	43.0%	39.0%
Dividend yield ⁽²⁾	2.2%	1.4%	1.2%	1.5%	1.9%

(1) 2012 without Sedo impairments; 2014 without one-off income from Versatel acquisition and optimization of investment portfolio

(2) As of: June 30

Position of the Group

Earnings position

United Internet AG can look back on a successful first six months of its fiscal year 2016. Thanks to the further strong year-on-year increase in customer figures, **consolidated sales** grew by 7.0% in the first half of 2016, from € 1,823.4 million in the previous year to € 1,951.2 million. **Sales outside Germany** (exclusively in the Applications segment) were increased by 11.3%, from € 191.4 million to € 213.0 million.

In the first half of 2016, United Internet once again invested heavily in new customer relationships and the expansion of its existing customer relationships. As a result, the number of **fee-based customer contracts** rose in total by 490,000 in the reporting period – and thus by an even greater amount than in the previous year (+430,000) – to 16.46 million customer contracts.

All **customer acquisition costs** for Access and Applications products, as well as costs for the migration of resale DSL connections to complete DSL packages and upgrades to VDSL connections, continue to be charged directly as expenses.

Due to economies of scale and improved conditions for the purchase of pre-services, **cost of sales** increased more slowly than sales in the first half of 2016, from € 1,216.2 million (66.7% of sales) in the previous year to € 1,292.9 million (66.3% of sales). Consequently, **gross margin** rose from 33.3% in the previous year to 33.7%. As a result, the 8.4% increase in **gross profit** from € 607.2 million in the previous year to € 658.2 million even surpassed sales growth (7.0%).

Sales and marketing expenses fell from € 293.9 million (16.1% of sales) in the previous year to € 269.7 million (13.8% of sales). **Administrative expenses** rose from € 84.3 million (4.6% of sales) in the previous year to € 92.6 million (4.7% of sales).

Development of key cost items (in € million)

	H1 2012	H1 2013	H1 2014	H1 2015 ⁽¹⁾	H1 2016
Cost of sales	771.9	850.5	945.9	1,216.2	1,292.9
Cost of sales ratio	66.3%	66.3%	66.0%	66.7%	66.3%
Gross margin	33.7%	33.7%	34.0%	33.3%	33.7%
Selling expenses	232.2	239.8	230.5	293.9	269.7
Selling expenses ratio	20.0%	18.7%	16.1%	16.1%	13.8%
Administrative expenses	52.9	56.2	64.8	84.3	92.6
Administrative expenses ratio	4.5%	4.4%	4.5%	4.6%	4.7%

(1) H1 2015 adjusted

Consolidated earnings from operating activities developed even faster than sales: without consideration of special items from the sale of Goldbach shares in the previous year (EBITDA, EBIT, EBT effect = € +5.6 million; EPS effect = € +0.03), **EBITDA** rose by 15.8% in the first half of 2016, from € 345.7 million to € 400.3 million, while **EBIT** increased by 28.2%, from € 236.7 million to € 303.4 million. **EBT** was up 25.2% from € 233.2 million to € 291.9 million. Operating **EPS** improved by 22.0% from € 0.82 to € 1.00. Before amortization of purchase price allocations (PPA), which mainly relate to the Versatel acquisition, operating EPS rose by 20.0% from € 0.90 to € 1.08.

As announced in the Annual Financial Statements 2015, and in line with the applicable accounting and valuation methods of United Internet, the value of shares held in Rocket Internet SE in the company's non-operating business was written down in the first and second quarters of 2016. In view of the closing price (Xetra) for Rocket Internet shares of € 17.47 as of June 30, 2016, the impairment charges had a total non-cash effect on EBT of € -254.6 million and of € -1.25 on EPS in the first half of 2016. United Internet is still convinced that Rocket Internet has significant market opportunities. The impairment charges do not impact United Internet's dividend policy nor guidance for 2016, as these are based on earnings from operating activities (without special items). As a result of the writedowns on financial assets (especially the Rocket impairment), EBT in the first half of 2016 fell to € 37.0 million, while total EPS was reduced to € -0.25 and EPS before PPA to € -0.17.

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

Sales	1,951.2	1,823.4	+ 7.0%
EBITDA	400.3	345.7 ⁽¹⁾	+ 15.8%
EBIT	303.4	236.7 ⁽¹⁾	+ 28.2%

■ H1 2016

■ H1 2015

(1) H1 2015 without effects from sale of Goldbach shares (EBITDA and EBIT effect: € +5.6 million)

Quarterly development (in € million); change over previous quarter

	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q2 2015	Change
Sales	931.4	960.9	968.6	982.6	918.3	+ 7.0%
EBITDA	195.3 ⁽²⁾	216.2	202.7	197.6	172.2 ⁽¹⁾	+ 14.8%
EBIT	141.3 ⁽²⁾	163.7	154.0	149.4	117.6 ⁽¹⁾	+ 27.0%

(1) Q2 2015 without effects from sale of Goldbach shares (EBITDA and EBIT effect: € +5.6 million)

(2) Q3 2015 without effects from sale of partial stake in virtual minds shares (EBITDA and EBIT effect: € +8.4 million)

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

	H1 2012	H1 2013	H1 2014	H1 2015	H1 2016
Sales	1,163.5	1,283.0	1,433.6	1,823.4	1,951.2
EBITDA	148.6	175.1	237.6	345.7 ⁽¹⁾	400.3
EBITDA margin	12.8%	13.6%	16.6%	19.0%	20.5%
EBIT	103.7	129.4	193.5	236.7 ⁽¹⁾	303.4
EBIT margin	8.9%	10.1%	13.5%	13.0%	15.5%

(1) H1 2015 without effects from sale of Goldbach shares (EBITDA and EBIT effect: € +5.6 million)

Financial position

Thanks to the positive development of earnings, **operative cash flow** rose from € 251.6 million in the previous year to € 305.9 million in the first half of 2016.

Cash flow from operating activities in the first half of 2015 and the first half of 2016 were dominated by various tax effects. Whereas in the first half of 2015, there was a tax refund of € 326.0 million on a capital gains tax payment made in late 2014 in connection with corporate restructuring, an income tax payment of around € 100.0 million was made in the first half of 2016 (originally due in the fourth quarter of 2015). Without consideration of these opposing tax effects, **cash flow from operating activities** rose from € 158.5 million (comparable prior-year figure) to € 245.6 million in the first half of 2016.

Cash flow from investing activities amounted to € 328.5 million in the reporting period (prior year: € 518.6 million). This resulted mainly from disbursements of € 72.2 million (prior year: € 70.7 million) for capital expenditures, as well as from payments for the purchase of shares in associated companies totaling € 264.2 million (investment in Tele Columbus). In addition to the aforementioned capital expenditures, cash flow from investing activities in the previous year was dominated by investments in other financial assets of € 58.9 million (especially for the increase in shares held in Rocket Internet SE during the company's capital increase) and disbursements of € 417.8 million for the acquisition of shares in associated companies (especially the stake in Drillisch AG).

Without consideration of the above mentioned opposing tax effects, **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 € 98.9 million (comparable prior-year figure) to € 174.9 million in the first half of 2016.

Cash flow from financing activities in the first half of 2016 was dominated by the assumption of loans amounting to € 333.0 million, especially for the acquisition of shares in Tele Columbus and the income tax payment (prior year: assumption of loans totaling € 179.0 million), the redemption of finance lease liabilities of € 7.9 million (prior year: € 7.9 million), and the dividend payment of € 142.9 million (prior year: € 122.3 million).

Cash and cash equivalents amounted to € 88.1 million as of June 30, 2016 – compared to € 67.5 million on the same date last year.

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

	H1 2012	H1 2013	H1 2014	H1 2015	H1 2016
Operative cash flow	95.2	118.5	165.6	251.6	305.9
Cash flow from operating activities	107.8	109.4	175.0	158.5 ⁽²⁾	245.6 ⁽³⁾
Cash flow from investing activities	- 14.9	- 26.5	- 41.6	- 518.6	- 328.5
Free cash flow ⁽¹⁾	89.2	85.9	154.2	98.9 ⁽²⁾	174.9 ⁽³⁾
Cash flow from financing activities	- 90.7	- 89.1	- 119.9	48.8	189.6
Cash and cash equivalents on June 30	66.4	35.5	56.7	67.5	88.1

(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 the income tax payment of around € 100.0 million originally due in the fourth quarter of 2015; including this income tax payment, free cash flow amounted to € 74.9 million

Asset position

The **balance sheet total** increased from € 3.878 billion as of December 31, 2015 to € 4.037 billion as of June 30, 2016.

Current assets increased from € 564.9 million as of December 31, 2015 to € 614.9 million as of June 30, 2016. **Cash and cash equivalents** disclosed under current assets rose slightly from € 84.3 million to € 88.1 million. **Trade accounts receivable** remained unchanged at € 218.1 million. Due to closing-date effects and the expansion of business, **current prepaid expenses** rose from € 82.6 million to € 119.5 million. **Other non-financial assets** increased from € 114.6 million to € 119.6 million and mainly comprise receivables from the tax office.

Non-current assets rose from € 3,312.7 million as of December 31, 2015 to € 3,422.0 million on June 30, 2016. This was mainly due to the increase in **shares in associated companies**, which rose strongly from € 468.4 million to € 754.0 million, largely as a result of the investment in Tele Columbus. The non-current **other financial assets** fell from € 449.0 million to € 260.2 million – due to the subsequent valuation of listed shares in Rocket Internet and Hi-Media as of June 30, 2016 and the sale of Hipay. Within the items **property, plant and equipment and intangible assets**, additions of € 72.2 million (mainly for furniture and fixtures, as well as software), were opposed by depreciation and amortization of € 96.9 million. Due to currency effects, there was a change in **goodwill** from € 1,137.8 million to € 1,127.8 million.

Current liabilities decreased from € 969.0 million as of December 31, 2015 to € 894.3 million on June 30, 2016. Current **trade accounts payable** were virtually unchanged at € 398.0 million. Short-term **bank liabilities** declined from € 29.3 million to € 24.3 million. As a result of the income tax payment in the first quarter of 2016, **income tax liabilities** fell strongly from € 129.6 million to € 51.0 million. The increase in **other financial liabilities** from € 105.4 million to € 126.7 million is mainly due to closing-date effects and the expansion of business.

Non-current liabilities increased from € 1,758.9 million as of December 31, 2015 to € 2,093.1 million on June 30, 2016. This was mainly due to the rise in **long-term bank liabilities** from € 1,507.2 million to € 1,845.1 million caused by the investment in Tele Columbus and the income tax payment in the first half of 2016.

Due in particular to the dividend payment, the Group's **equity capital** fell from € 1,149.8 million as of December 31, 2015 to € 1,049.5 million on June 30, 2016. There was a corresponding decline in the **equity ratio** from 29.7% to 26.0%. At the end of the reporting period on June 30, 2016, United Internet held 411,458 treasury shares (December 31, 2015: 917,859 shares).

Due in particular to the investment in Tele Columbus and the above mentioned income tax payment, **net bank liabilities** (i.e. the balance of bank liabilities and cash and cash equivalents) increased from € 1,452.2 million as of December 31, 2015 to € 1,781.4 million on June 30, 2016.

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

	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2015	June 30, 2016
Total assets	1,107.7	1,270.3	3,673.4	3,877.6	4,036.9
Cash and cash equivalents	42.8	42.8	50.8	84.3	88.1
Shares in associated companies	90.9	115.3	34.9 ⁽¹⁾	468.4 ⁽¹⁾	754.0 ⁽¹⁾
Other financial assets	70.1	47.6	695.3 ⁽²⁾	449.0	260.2
Property, plant and equipment	109.2	116.2	689.3 ⁽³⁾	665.2	652.6
Intangible assets	151.8	165.1	385.5 ⁽³⁾	344.0	328.0
Goodwill	356.2	452.8 ⁽⁴⁾	977.0 ⁽⁴⁾	1,137.8 ⁽⁴⁾	1,127.8
Liabilities due to banks	300.3	340.0	1,374.0 ⁽⁵⁾	1,536.5 ⁽⁵⁾	1,781.4 ⁽⁵⁾
Capital stock	215.0	194.0 ⁽⁶⁾	205.0 ⁽⁶⁾	205.0	205.0
Treasury stock	263.6	5.2 ⁽⁶⁾	35.3	26.3	11.8
Equity	198.1	307.9	1,204.7 ⁽⁷⁾	1,149.8	1,049.5
Equity ratio	17.9%	24.2%	32.8%	29.7%	26.0%

(1) Decrease due to contribution of the GFC and EFF funds to Rocket and complete takeover of Versatel (2014); increase due to investment in Drillisch (2015); increase due to investment in Tele Columbus (2016)

(2) Increase due to investment in Rocket (2014), decrease due to sale of Goldbach shares and subsequent valuation of shares in listed companies (2015); decrease due to subsequent valuation of shares in listed companies (2016)

(3) Increase due to complete takeover of Versatel (2014)

(4) Increase due to Arsys acquisition (2013); increase due to complete takeover of Versatel (2014); increase due to acquisition of home.pl (2015)

(5) Increase due to Rocket investment and takeover of Versatel (2014); increase due to increased stake in Rocket, Drillisch investment, and acquisition of home.pl (2015); increase due to investment in Tele Columbus (2016)

(6) Decrease due to share cancellations (2013); increase due to capital increase (2014)

(7) Increase due to capital increase (2014)

Management Board's overall statement on the current business situation

United Internet once again invested heavily in new customer relationships in the first half of 2016. As a result, the number of fee-based contracts rose by 490,000 contracts during the reporting period – and thus more strongly than in the first half of 2015 (430,000 contracts) – to 16.46 million. This customer growth was driven in particular by the Access segment, where the company was able to add 380,000 Mobile Internet contracts and 70,000 DSL contracts. In the Applications segment, 40,000 contracts and 210,000 ad-financed free accounts were added in the period under review.

With this strong increase in customer contracts, sales growth of 7.0% to € 1.951 billion and an improvement in EBITDA of 15.8% to € 400.3 million, United Internet continued its dynamic development in the first half of 2016.

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

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

With the figures for customer contracts, sales and earnings achieved in the first six months of 2016 and the investments already made, the Management Board believes that the company is well on track to meet its targets and very well positioned for further growth.

Personnel report

As of June 30, 2016, United Internet employed a total of 8,076 people. Compared to the previous year (7,875 employees), headcount increased by 201 staff or 2.6% – due in part to the complete takeover of home.pl as of December 30, 2015.

Of this total, 3,411 people were employed in the Access segment (prior year: 3,105), 4,474 in the Applications segment (prior year: 4,647) and 191 at the Group's headquarters (prior year: 123). The decrease in staff in the Applications segment results in part from the transfer of staff to the Access segment, as well as the transfer of staff to Group headquarters who already performed corporate functions in the past.

Headcount in Germany rose by 92 or 1.5%, from 6,329 employees in the previous year to 6,421 on June 30, 2016. At the Group's companies outside Germany, headcount increased by 109 or 7.1%, from 1,546 in the previous year to 1,655.

Headcount development (by segment and domestic/foreign)

	June 30, 2012	June 30, 2013 ⁽¹⁾	June 30, 2014	June 30, 2015	June 30, 2016	Change
Employees, total	5,972	6,329	6,700	7,875	8,076	+ 2.6%
thereof in Germany	4,641	4,954	5,107	6,329	6,421	+ 1.5%
thereof abroad	1,331	1,375	1,593	1,546	1,655	+ 7.1%
Access segment	1,888	1,969	1,956	3,105	3,411	+ 9.9%
Applications segment	4,054	4,326	4,709	4,647	4,474	- 3.7%
Headquarters	30	34	35	123	191	+ 55.3%

(1) As of June 30, 2013, the headcount statistics no longer include inactive employees

Personnel expenses increased by 4.5% in the first six months of 2016, from € 215.3 million in the previous year to € 225.0 million. The personnel expense ratio fell year on year by 0.3 percentage points to 11.5%.

Development of personnel expenses (in € million); change over previous year

	H1 2012	H1 2013	H1 2014	H1 2015	H1 2016	Change
Personnel expenses	132.1	150.4	165.1	215.3	225.0	+ 4.5%
Personnel expense	11.4%	11.7%	11.5%	11.8%	11.5%	

Subsequent events

There were no significant events subsequent to the reporting date of June 30, 2016 which had a material effect on the financial position and performance of United Internet AG or affected its accounting and reporting.

Risk and opportunity report

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

Management Board's overall assessment of the Group's risk and opportunity position

The assessment of the overall level of risk is based on a consolidated view of all significant risk fields and individual risks, also taking account of their interdependencies.

In the first half of 2016, the overall risk and opportunity situation remained mostly stable compared with the risk and opportunity report provided in the Annual Financial Statements 2015. There were no recognizable risks which directly jeopardized the continued existence of the United Internet Group during the reporting period nor at the time of preparing this 6-month report, neither from individual risk positions nor from the overall risk situation.

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

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

In United Internet's non-operating business, non-cash burdens from impairment may arise – as in the first half of 2016 – depending on the further performance of the company's listed investments.

Forecast report

Economic prospects

As a result of the Brexit vote, the International Monetary Fund (IMF) has downgraded its forecast for the global economy and in its updated economic outlook for 2016 (World Economic Outlook, Update July 2016) now anticipates global growth of just 3.1% – 0.3 percentage points down on the beginning of the year (January forecast).

During the course of the year, the IMF has downgraded all its forecasts for United Internet Group's main target markets (with the exception of France) compared to its January outlook.

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

	2017e	2016e	2015
World	3.4%	3.1%	3.1%
USA	2.5%	2.2%	2.4%
Canada	2.1%	1.4%	1.2%
Mexico	2.6%	2.5%	2.5%
Eurozone	1.4%	1.6%	1.6%
France	1.2%	1.5%	1.1%
Spain	2.1%	2.6%	3.2%
Italy	1.0%	0.9%	0.8%
UK	1.3%	1.7%	2.2%
Germany	1.2%	1.6%	1.5%

Source: International Monetary Fund, World Economic Outlook (Update), July 2016

Sector and market expectations

Following strong revenue growth in the past year, sales of products and services in the IT and telecommunications industry (ICT) have been somewhat slower in **Europe** during 2016. ICT revenues in the EU states are expected to grow by 0.7% to € 686 billion in 2016, compared to 2.9% in 2015. These are the findings of a recent survey conducted by the European Information Technology Observatory (EITO) which were announced by the digital industry association BITKOM on July 18, 2016. According to the EITO forecast, **global** ICT sales will rise by 1.8% to € 3.1 trillion.

Further growth is also anticipated for the ICT sector in **Germany**. In its outlook of March 10, 2016, BITKOM forecasts that the total market for IT, telecommunications and digital consumer electronics in Germany will grow by 1.7% to € 160.2 billion in 2016.

Within the overall market, the IT sector leads the way with expected growth of 3.0% to € 83.5 billion. According to the BITKOM forecast, the telecommunications market will grow by 0.2% to € 67.0 billion. Following several years of decline, sales of consumer electronics look set to stabilize at € 9.6 billion.

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

	2016e	2015	Change
Total ICT market	160.2	157.6	+ 1.7%
thereof IT sub-market	83.5	81.1	+ 3.0%
thereof telecommunications sub-market	67.0	66.9	+ 0.2%
thereof consumer electronics sub-market	9.6	9.6	+ 0.0%

Source: BITKOM

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

(Stationary) German broadband market

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 2015-2019" (December 2015), PricewaterhouseCoopers expects sales of landline broadband connections to increase by 1.4% to € 8.03 billion in 2016.

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

	2016e	2015	Change
Sales	8.03	7.92	+ 1.4%

Source: PricewaterhouseCoopers

German mobile internet market

By contrast, all experts continue to predict further strong growth for the mobile internet market. Following market growth of 10.5% to € 6.95 billion in 2015, PricewaterhouseCoopers also expects mobile data services to grow by 9.6% to € 7.62 billion in 2016.

This growth will be driven above all by favorable – and thus for the consumer attractive – prices, as well as by the boom in smartphones and tablet PCs and the respective applications (apps).

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

	2016e	2015	Change
Sales	7.62	6.95	+ 9.6%

Source: PricewaterhouseCoopers

Cloud computing market

In an update of its study "Forecast Analysis: Public Cloud Services, Worldwide" (August 2015) Gartner forecasts global growth for public cloud services of 16.3%, from \$ 174.7 billion to \$ 203.1 billion in 2016.

Market forecast: global cloud computing (in \$ billion)

	2016e	2015	Change
Global sales of public cloud services	203.1	174.7	16.3%
thereof business process services (BPaaS)	42.9	39.2	9.4%
thereof application services (SaaS)	37.9	31.4	20.7%
thereof application infrastructure services (PaaS)	4.6	3.8	21.1%
thereof system infrastructure services (IaaS)	21.1	15.8	33.5%
thereof management and security services	6.3	5.0	26.0%
thereof cloud advertising	90.3	79.4	13.7%

Source: Gartner

Online advertising market in Germany

Advertisers continued to display a strong willingness to invest in online advertising activities in 2015.

Experts also forecast further growth in 2016. PricewaterhouseCoopers expects an increase of 7.4% to € 6.55 billion. Strong growth is expected once again for mobile online advertising and video advertising with increases of 31.6% and 18.2%, respectively.

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

	2016e	2015	Change
Online advertising revenues	6.55	6.10	+ 7.4%
thereof search marketing	3.24	3.01	+ 7.6%
thereof display advertising	1.44	1.41	+ 2.1%
thereof affiliate / classifieds	0.98	0.97	+ 1.0%
thereof mobile online advertising	0.50	0.38	+ 31.6%
thereof video advertising	0.39	0.33	+ 18.2%

Source: PricewaterhouseCoopers

Expectations for the company

Focus areas in fiscal year 2016

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

In view of its product strategy based on flexibility, the specific service promises of the 1&1 Principle, innovative products and excellent value for money, United Internet believes it is very well positioned in its **Access segment**. In the fiscal year 2016, contract and revenue growth for consumer products is likely to result once again from the marketing of Mobile Internet products and DSL connections. The main focus will be on the further expansion of V-DSL coverage, and the use of the new transmission technology "vectoring" (with speeds up to 100 Mbit/s). In the field of Business solutions under the 1&1 Versatel brand, the focus will lie on data and network solutions for SMEs, as well as the provision of ICT infrastructure services for large corporations.

With its strong and specialized brands, a steadily growing portfolio of cloud applications, and existing relations with millions of small businesses, freelancers and private users, United Internet is also well positioned in its **Applications segment** to utilize the opportunities offered by cloud computing. In the field of Business Applications, further exploitation of existing target markets is planned. The main focus will be placed on expanding business with existing customers through sales of additional products, such as new top-level domains or marketing tools like 1&1 List Local, and gaining new high-quality customer relationships, e.g. via the 1&1 Cloud Server. In the case of Consumer Applications, the main focus in 2016 will continue to be on monetizing free accounts via advertising, and on secure e-mail communication. A further expansion of the "E-Mail made in Germany" initiative is also targeted.

In addition to organic growth, United Internet continuously examines the possibility of **acquisitions, investments and alliances**. Thanks to its high and plannable level of cash flow, United Internet has a strong source of internal funding and good access to debt financing markets in order to finance its future growth – whether organic or via acquisitions and investments.

Forecast for fiscal year 2016

With the figures for customer contracts, sales and earnings achieved in the first half of 2016 and the investments already made, United Internet is well on track to meet its targets.

Due to the good performance of operating business in the first half of 2016, United Internet is upholding its sales and earnings guidance for 2016 with expected sales of approx. € 4 billion and EBITDA of approx. € 850 million. As the acquisition of new customers made better progress than expected, the company is raising its contract guidance by 100,000 new contracts to approx. 900,000.

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

Management Board's overall statement on the anticipated development

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. Moreover, with the investments made over the past few years in customer relationships, new business fields and internationalization, as well as via acquisitions and investments, United Internet has laid a broad and stable foundation for its planned future growth. With the exception of currency-induced sales/earnings losses from the UK Applications business due to the high volatility of the British pound (GBP) in the run-up to the Brexit decision and its devaluation thereafter, the Management Board does not expect the **Brexit** vote to have any impact on the future course of the company.

United Internet will continue to pursue its sustainable business policy in the coming years.

On the basis of the fees proposed by the German Federal Network Agency on June 29, 2016 (**Layer 2 bitstream** regulatory process), United Internet's Management Board has decided to increase vertical integration – via its own fiber-optic network acquired in 2014 as part of the Versatel takeover – and to produce VDSL/vectoring connections based on the Deutsche Telekom Layer 2 wholesale service. To this end, the company intends to gradually connect its own fiber-optic network in the coming years, as cost effectively as possible, with initially up to 500 of the total 900 BNGs (Broadband Network Gateways) of Deutsche Telekom. This will enable it to reach approx. 70% of the approx. 32.4 million VDSL households in Germany (planned Telekom footprint end of 2018). The new VDSL/vectoring connections will target both new customers as well as the 4.39 million existing DSL customers throughout Germany at present. Depending on the company's own customer development and the further expansion of Telekom's footprint, it is possible that connections to further BNGs may be added. The first orders for the Layer 2 wholesale product can be placed as of November 1, 2016.

Although the Layer 2 fees have not yet been finally decided, United Internet expects lower production costs per month and connection in the medium term than when using the Layer 3 wholesale services of Deutsche Telekom – despite the fact that the fees proposed by the German Federal Network Agency are still well above those stated in various specialist reports. The necessary investment volume to connect to the BNGs and the specific cost savings are currently being calculated on the basis of the existing fee proposal and a cost-optimized expansion strategy. In regions outside United Internet's own network, the company will continue to use VDSL/vectoring wholesale services on the Layer 3 basis. In addition, ADSL connections will continue to be provided in the coming years via the company's own network as well as via various pre-service providers.

In the field of Mobile Internet products, United Internet will continue to use the wholesale services of Vodafone and Telefónica / E-Plus. Based on its MVNO contract with E-Plus, the United Internet brand 1&1 can provide **LTE speeds** (4G) for ever more of its customers – due to the growing consolidation of the Telefónica and E-Plus networks. 1&1 LTE is already available in all major German cities and conurbations: e.g. in Aachen, Bergisch Gladbach, Berlin, Baden-Baden, Bonn, Bremen, Bremerhaven, Chemnitz, Coburg, Cologne, Cottbus, Darmstadt, Dresden, Duisburg, Düsseldorf, Erfurt, Erlangen, Frankfurt/Main, Fürth, Giessen, Göttingen, Hagen, Halle/Saale, Hamburg, Hanover, Heilbronn, Jena, Kaiserslautern, Karlsruhe, Kassel, Koblenz, Konstanz, Krefeld, Landau, Leipzig, Leverkusen, Ludwigshafen am Rhein, Magdeburg, Mainz, Mannheim, Mönchengladbach, Munich, Neuss, Neustadt an der Weinstrasse, Nuremberg, Offenbach am Main, Offenburg, Oldenburg, Paderborn, Pforzheim, Pirmasens, Potsdam, Rastatt, Regensburg, Remscheid, Reutlingen, Rostock, Saarbrücken, Schweinfurt, Siegen, Singen, Solingen, Stuttgart, Trier, Ulm, Villingen-Schwenningen, Wiesbaden, Wuppertal, Würzburg, in large parts of the Ruhr district and Rhineland, as well as in many other towns and regions. Further areas will be added as the Telefónica / E-Plus network consolidation advances.

With its new **1&1 Fiber-Optic Business** product, United Internet has been offering true gigabit bandwidth for SMEs in over 250 cities since July 2016, with plug-and-play functionality and favorable conditions. The product's technology is provided by 1&1 Versatel. Due to IT outsourcing via cloud services, digital production processes or networked CRM applications, the bandwidth needs of companies has grown several times over the past few years. This trend will continue: according to experts, German companies will need over ten times the current internet bandwidth on average by 2026. Powerful internet access is thus becoming an important key to success. With the new 1&1 Fiber-Optic Business 1,000 tariff, for example, 1&1 guarantees download speeds of 1,000 Mbit/s with upload speeds of up to 200 Mbit/s. In contrast to DSL, the bandwidth of fiber-optic connections are guaranteed irrespective of the line quality. If more performance is required, greater bandwidth can be provided via the same line – 1&1 Versatel currently offers customers up to 100 Gbit/s. 1&1 Versatel provides network connections into the building for its customers.

Following the good performance of operating business in the first half of 2016, United Internet's Management Board believes that the company is still on track (at the time of preparing this half-yearly financial report) to reach its **forecasts** for the full year 2016, as presented in the table below.

Full-year 2016 forecast for United Internet AG

	12/2015	Forecast 2016
Fee-based customer contracts	15.97 million	+ approx. 900,000 (800,000 + 100,000)
Sales	€ 3.716 billion	approx. € 4 billion
EBITDA	€ 771.2 million ⁽¹⁾	approx. € 850 million

(1) Including special items of € 14.0 million from the sale of Goldbach shares and part of the stake in virtual minds

Forward-looking statements

This 6-month 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.

Use of business-relevant key financial performance indicators

In order to ensure the clear and transparent presentation of United Internet's business trend, the financial statements include key financial performance indicators – 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. Insofar as required for clear and transparent presentation, these indicators 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.

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GROUP BALANCE SHEET

as of June 30, 2016 in €k

	June 30, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	88,094	84,261
Trade accounts receivable	218,114	218,074
Inventories	49,542	42,509
Prepaid expenses	119,451	82,633
Other financial assets	20,145	22,840
Other non-financial assets	119,572	114,575
	614,918	564,892
Non-current assets		
Shares in associated companies	754,043	468,366
Other financial assets	260,181	448,959
Property, plant and equipment	652,555	665,195
Intangible assets	328,017	344,033
Goodwill	1,127,806	1,137,795
Trade accounts receivable	49,280	37,431
Prepaid expenses	135,652	102,438
Deferred tax assets	114,461	108,512
	3,421,995	3,312,729
Total assets	4,036,913	3,877,621

	June 30, 2016	December 31, 2015
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Trade accounts payable	397,971	395,862
Liabilities due to banks	24,325	29,332
Advance payments received	11,701	15,084
Income taxes liabilities	50,958	129,586
Deferred revenue	231,515	233,036
Other accrued liabilities	22,154	23,835
Other financial liabilities	126,734	105,445
Other non-financial liabilities	28,941	36,805
	894,299	968,985
Non-current liabilities		
Liabilities due to banks	1,845,137	1,507,170
Deferred tax liabilities	88,619	89,080
Trade accounts payable	6,960	4,042
Deferred revenue	24,662	26,856
Other accrued liabilities	37,298	36,209
Other financial liabilities	90,401	95,521
	2,093,077	1,758,878
Total liabilities	2,987,376	2,727,863
Equity		
Capital stock	205,000	205,000
Capital reserves	373,610	372,203
Accumulated profit	487,316	695,799
Treasury stock	- 11,794	- 26,318
Revaluation reserves	8,367	- 96,021
Currency translation adjustment	- 13,261	- 1,443
Equity attributable to shareholders of the parent company	1,049,238	1,149,220
Non-controlling interests	299	538
Total equity	1,049,537	1,149,758
Total liabilities and equity	4,036,913	3,877,621

GROUP NET INCOME

from January 1 to June 30, 2016 in €k

	2016 January – June	2015 January – June
Sales	1,951,153	1,823,355
Cost of sales	- 1,292,907	- 1,216,199
Gross profit	658,246	607,156
Selling expenses	- 269,746	- 293,868
General and administrative expenses	- 92,645	- 84,295
Other operating expenses / income	7,563	13,329
Operating result	303,418	242,322
Financial result	- 13,445	- 1,179
Amortization of financial assets	- 254,905	0
Result from associated companies	1,885	- 2,336
Pre-tax result	36,953	238,807
Income taxes	- 87,965	- 64,626
Net income before non-controlling interests	- 51,012	174,181
Attributable to		
non-controlling interests	90	16
shareholders of United Internet AG	- 51,102	174,165

	2016 January – June	2015 January – June
Result per share of shareholders of United Internet AG (in €)		
- basic	- 0.25	0.85
- diluted	- 0.25	0.85
Weighted average shares (in million units)		
- basic	204.12	203.80
- diluted	204.90	205.12
Statement of comprehensive income		
Net income	- 51,012	174,181
Items that may be reclassified subsequently to profit or loss		
Currency translation adjustment - unrealized	- 11,818	13,104
Market value changes of available-for-sale financial instruments before taxes - unrealized	- 2,521	- 161,487
Tax effect	36	2,438
Market value changes of available-for-sale financial instruments before taxes - realized	106,873	0
Tax effect	0	0
Other comprehensive income	92,570	- 145,945
Total comprehensive income	41,558	28,236
Attributable to		
non-controlling interests	90	16
shareholders of United Internet AG	41,468	28,220

GROUP CASH FLOW

from January 1 to June 30, 2016 in €k

	2016 January – June	2015 January – June
Cash flow from operating activities		
Net income	- 51,012	174,181
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of intangible assets and property, plant and equipment	74,103	86,114
Amortization of intangible assets resulting from company acquisitions	22,804	22,903
Amortization of financial assets	254,905	0
Share-based payment expense	1,407	1,650
Result from equity accounted investments	- 1,885	2,336
Share of profit of associated companies	19,272	0
Change in deferred taxes	- 6,410	- 9,099
Other non-cash positions	- 7,295	- 26,439
Operative cash flow	305,889	251,646
Change in assets and liabilities		
Change in receivables and other assets	- 18,412	22,596
Change in inventories	- 7,033	3,183
Change in deferred expenses	- 70,033	- 83,488
Change in trade accounts payable	1,543	- 37,198
Change in advance payments received	- 3,383	3,056
Change in other accrued liabilities	- 592	- 3,438
Change in liabilities income taxes	- 78,627	8,788
Change in other liabilities	16,347	- 13,827
Change in deferred income	- 100	7,188
Change in assets and liabilities, total	- 160,290	- 93,140
Cash flow from operating activities (before capital gains tax refund)	145,599	158,506
Capital gains tax refund	0	326,013
Cash flow from operating activities	145,599	484,519

	2016 January – June	2015 January – June
Cash flow from investing activities		
Capital expenditure for intangible assets and property, plant and equipment	- 72,231	- 70,652
Payments from disposals of intangible assets and property, plant and equipment	1,546	11,015
Payments for company acquisitions less cash received	- 238	0
Purchase of shares in associated companies	- 264,226	- 417,773
Investments in other financial assets	- 104	- 58,852
Payments for loans granted	- 572	- 958
Payments from loans granted	2,817	250
Proceeds from sale of financial assets	4,464	18,165
Refunding from other financial assets	0	179
Cash flow from investing activities	- 328,544	- 518,626
Cash flow from financing activities		
Sale of treasury shares in connection with an employee stock ownership program	7,721	0
Taking out / repayment of loans	332,958	178,968
Redemption of finance lease liabilities	- 7,859	- 7,885
Dividend payments	- 142,857	- 122,260
Profit distributions to non-controlling interests	- 329	0
Cash flow from financing activities	189,634	48,823
Net increase in cash and cash equivalents	6,689	14,716
Cash and cash equivalents at beginning of fiscal year	84,261	50,829
Currency translation adjustments of cash and cash equivalents	- 2,856	1,952
Cash and cash equivalents at end of fiscal year	88,094	67,497

GROUP CHANGES IN SHAREHOLDERS' EQUITY

from January 1 to June 30, 2016 in €k

	Capital stock		Capital reserves	Accumulated profit	Treasury stock	
	Share	€k	€k	€k	Share	€k
Balance as of January 1, 2015	205,000,000	205,000	369,353	460,671	1,232,338	- 35,335
Net income				174,165		
Other comprehensive income						
Total comprehensive income				174,165		
Issue of treasury stock				- 7,788	- 265,320	7,788
Employee stock ownership program			1,650			
Dividend payments				- 122,260		
Balance as of June 30, 2015	205,000,000	205,000	371,003	504,788	967,018	- 27,547
Balance as of January 1, 2016	205,000,000	205,000	372,203	695,799	917,859	- 26,318
Net income				- 51,102		
Other comprehensive income						
Total comprehensive income				- 51,102		
Issue of treasury stock				- 14,524	- 506,401	14,524
Employee stock ownership program			1,407			
Dividend payments				- 142,857		
Profit distributions						
Balance as of June 30, 2016	205,000,000	205,000	373,610	487,316	411,458	- 11,794

Revaluation reserves	Currency translation adjustments	Equity attributable to shareholders of United Internet AG	Non- controlling interests	Total equity
€k	€k	€k	€k	€k
216,745	- 12,446	1,203,988	741	1,204,729
		174,165	16	174,181
- 159,049	13,104	- 145,945		- 145,945
- 159,049	13,104	28,220	16	28,236
		0		0
		1,650		1,650
		- 122,260		- 122,260
57,696	658	1,111,598	757	1,112,355
- 96,021	- 1,443	1,149,220	538	1,149,758
		- 51,102	90	- 51,012
104,388	- 11,818	92,570		92,570
104,388	- 11,818	41,468	90	41,558
		0		0
		1,407		1,407
		- 142,857		- 142,857
		0	- 329	- 329
8,367	- 13,261	1,049,238	299	1,049,537

EXPLANATIONS FOR THE INTERIM FINANCIAL STATEMENTS

1. Information on the company

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

2. Significant accounting, valuation and consolidation principles

As was the case with the Consolidated Financial Statements as of December 31, 2015, the Interim Report of United Internet AG as of June 30, 2016 was prepared in compliance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU).

The Condensed Consolidated Interim Report for the period January 1, 2016 to June 30, 2016 was prepared in accordance with IAS 34 *Interim Financial Reporting*.

A condensed reporting format was chosen for the presentation of this Consolidated Interim Report, as compared with the Consolidated Financial Statements, and is thus to be read in conjunction with the Consolidated Financial Statements as of December 31, 2015. With the exception of the mandatory new standards described below, the accounting and valuation principles applied in the Condensed Consolidated Interim Report 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, 2016:

	Standard	Mandatory for fiscal years beginning on or after	Endorsed by EU Commission
IFRS 11	Joint Arrangements (amendments)	Jan. 1, 2016	Yes
IAS 1	Presentation of Financial Statements (amendments)	Jan. 1, 2016	Yes
IAS 16	Property, Plant and Equipment (amendments)	Jan. 1, 2016	Yes
IAS 19	Defined Benefit Plans: Employee Contributions (amendments)	July 1, 2014	Yes, as of Feb. 1, 2015
IAS 27	Separate Financial Statements	Jan. 1, 2016	Yes
IAS 38	Intangible Assets (amendments)	Jan. 1, 2016	Yes
Various	Annual Improvement Project 2010-2012	July 1, 2014	Yes, as of Feb. 1, 2015
Various	Annual Improvement Project 2012-2014	Jan. 1, 2016	Yes

The IFRS amendments will not have any significant impact for the fiscal year.

Use of estimates and assumptions

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

Miscellaneous

The Consolidated Interim Report includes all subsidiaries and associated companies.

The following companies were founded or acquired in the reporting period 2016:

- 1&1 Energy GmbH, Montabaur
- 1&1 Internet Holding SE, Montabaur (formerly: Atrium 93. Europäische VV SE)

In the reporting period 2016, shares were acquired in the following associated companies:

- Tele Columbus AG, Berlin

Otherwise, the consolidated group remained largely unchanged from that stated in the Consolidated Financial Statements as at December 31, 2015.

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

3. Investments in companies

Via its subsidiary United Internet Ventures AG, United Internet contractually secured the acquisition of a share package amounting to approx. 15.31% of shares in Tele Columbus AG, Berlin, Germany on February 10, 2016. At the time, the closing of the acquisition was subject to approval by the German anti-trust authority ("Bundeskartellamt"). This approval was granted on March 7, 2016. After closing the acquisition, United Internet has a total indirect shareholding – together with further shares acquired – of 25.11% in Tele Columbus.

In the second quarter, United Internet sold its 430,454 shares (8.37% stake) in HiPay Group S.A., Paris / France, in an over-the-counter transaction at a price of € 10.37 per share and thus for a total of € 4.5 million. This share sale resulted in other operating income of € 935k.

EXPLANATION OF ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

4. Segment reporting

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

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

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

Segment reporting of United Internet AG in the reporting period of 2016 and 2015 was as shown in the tables on the next page.

5. Personnel expenses

Personnel expenses amounted to € 224,980k in the reporting period of 2016 (prior year: € 215,277k). At the end of June 2016, United Internet employed a total of 8,076 people, of which 1,655 were employed outside Germany. The number of employees at the end of June 2015 amounted to 7,875, of which 1,546 were employed outside Germany.

6. Depreciation and amortization

Depreciation and amortization of intangible assets and property, plant and equipment amounted to € 74,103k (prior year: € 86,114k).

Amortization of capitalized intangible assets resulting from business combinations amounted to € 22,804k (prior year: € 22,903k)

Total depreciation and amortization of intangible assets and property, plant and equipment thus amounted to € 96,907k in the reporting period of 2016 (prior year: € 109,017k).

January – June 2016

	Access segment €k	Applications segment €k	Corporate €k	Recon- ciliation €k	United Internet Group €k
Segment revenues	1,434,721	535,062	91	- 18,721	1,951,153
- thereof domestic	1,434,721	322,017	91	- 18,721	1,738,108
- thereof non-domestic	0	213,045	0	0	213,045
EBITDA	248,995	155,386	- 4,056	0	400,325
EBIT	181,093	126,934	- 4,609	0	303,418
Financial result			388	- 13,833	- 13,445
Writedowns on investments			- 254,905	0	- 254,905
Result from at-equity companies			61	1,824	1,885
EBT			- 259,065	296,018	36,953
Tax expense				- 87,965	- 87,965
Net income					- 51,012
Investments in intangible assets, property, plant and equipment (without goodwill)	53,830	17,718	500	-	72,048
Amortization/depreciation	67,902	28,452	553	-	96,907
- thereof intangible assets and property, plant and equipment	48,091	25,459	553	-	74,103
- thereof assets capitalized during company acquisitions	19,811	2,993	0	-	22,804
Number of employees	3,411	4,474	191	-	8,076
- thereof domestic	3,411	2,819	191	-	6,421
- thereof non-domestic	0	1,655	0	-	1,655

January – June 2015

Segment revenues	1,338,698	496,766	118	- 12,227	1,823,355
- thereof domestic	1,338,698	305,402	118	- 12,227	1,631,991
- thereof non-domestic	0	191,364	0	0	191,364
EBITDA	217,588	136,041	- 2,290	0	351,339
EBIT	138,525	106,331	- 2,534	0	242,322
Financial result			6,245	- 7,424	- 1,179
Result from at-equity companies			- 2,518	182	- 2,336
EBT			1,193	237,614	238,807
Tax expense				- 64,626	- 64,626
Net income					174,181
Investments in intangible assets, property, plant and equipment (without goodwill)	54,912	25,148	119	-	80,179
Amortization/depreciation	79,063	29,710	244	-	109,017
- thereof intangible assets and property, plant and equipment	59,399	26,471	244	-	86,114
- thereof assets capitalized during company acquisitions	19,664	3,239	0	-	22,903
Number of employees	3,105	4,647	123	-	7,875
- thereof domestic	3,079	3,127	123	-	6,329
- thereof non-domestic	26	1,520	0	-	1,546

EXPLANATIONS OF BALANCE SHEET ITEMS

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

7. Shares in associated companies

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

	2016 €k
Carrying amount at the beginning of the fiscal year	468,366
Additions	303,401
Adjustments	
- Dividends	- 19,272
- Shares in result	1,885
- Other	- 336
Disposals	0
	754,043

Additions mainly refer to shares held in Tele Columbus AG. Please see Note 3 for details.

8. Other financial assets

The development of these shares was as follows:

	Jan. 1, 2016 €k	Additions €k	Amortization of revaluation reserve Recycling €k	Change €k	Impair- ment €k	Reclassifi- cation €k	Disposals €k	June 30, 2016 €k
Hi-media shares	1,380			117				1,497
HiPay shares	3,792		- 935	935	- 263		- 3,529	0
Afilias shares	8,720							8,720
Rocket Internet shares	387,448			106,874	- 254,636			239,686
Tele Columbus shares	35,530	79,083		- 2,715		- 111,898		0
Others	12,089	676			- 6	336	- 2,817	10,278
	448,959	79,759	- 935	105,211	- 254,905	- 111,562	- 6,346	260,181

The additions mainly refer to the increase in shares held in Tele Columbus AG. The reclassification of shares in Tele Columbus was due to the purchase of further shares resulting in a total stake of 25.11% and thus its balance sheet classification as an associated company. We refer to Note 3.

A non-cash-effective writedown of listed shares in Rocket Internet of € 156.7 million was already made in the first quarter of 2016. As already described in the accounting and valuation methods presented in the annual financial statements 2015, if an impairment is recognized for an available-for-sale financial asset for the first time, all further declines in the fair value in subsequent periods must also be recognized as impairments. In this connection, a further non-cash-effective writedown of shares in Rocket Internet of € 97.9 million was made in the second quarter.

Based on the same impairment rules, a non-cash-effective writedown of shares in HiPay amounting to € 263k was made in the first quarter of 2016. The non-cash-effective sale of shares in HiPay during the second quarter of 2016 resulted in other operating income of € 935k.

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

A total of € 72,048k (prior year: € 80,179k) 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 € 1,127,806k disclosed as of June 30, 2016 includes assets belonging to the Access segment of € 506,482k.

The purchase price allocation for the acquisition of the home.pl S.A. Group is still preliminary as of June 30, 2016.

10. Non-current prepaid expenses

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

11. Liabilities due to banks

Bank liabilities as of June 30, 2016 result mainly from a syndicated loan totaling € 750 million concluded in August 2014, comprising two tranches with terms to 2017 and 2019, and a promissory note loan of € 600 million divided into 4 tranches with varying terms from 2017 to 2022.

In addition, there is a revolving syndicated loan facility of € 810 million with a term until July 9, 2020 which was utilized to the amount of € 500 million as of June 30, 2016. Consequently, the proportion of the revolving syndicated loan facility not yet drawn amounts to € 310 million.

12. Other current financial liabilities

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

13. Other non-current financial liabilities

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

14. Capital stock / treasury shares

As of June 30, 2016, the fully paid-in capital stock amounted to € 205,000,000 (unchanged from December 31, 2015) divided into 205,000,000 registered no-par shares with a theoretical share in the capital stock of € 1 each.

On June 30, 2016, the Management Board of United Internet AG resolved to launch a new share buyback program. In the course of this new share buyback program, up to 5,000,000 shares in the company (corresponding to approx. 2.44% of capital stock) are to be bought back via the stock exchange. The buyback follows the authorization of the Annual Shareholders' Meeting of May 22, 2014 to purchase treasury shares representing up to 10% of capital stock. The authorization was issued for the period up to September 22, 2017.

At the same time, the current share buyback program adopted by the Management Board on June 13, 2014 – also based on the authorization of the Annual Shareholders' Meeting of May 22, 2014 – was ended. In the course of this share buyback program, a total of 800,000 treasury shares were repurchased. As of June 30, 2016, United Internet holds 411,358 treasury shares. This corresponds to around 0.20% of the capital stock of € 205,000,000.

Treasury shares can be used for all purposes permitted under the regulations of Germany's Stock Corporation Law and stated in the authorization of the Annual Shareholders' Meeting of May 22, 2014, in particular for current and future employee stock ownership plans and / or as an acquisition currency, but may also be cancelled.

15. Reserves

The change in revaluation reserves results mainly from the subsequent valuation and impairment of shares in Rocket Internet as well as the subsequent valuation of Hi-Media and sale of HiPay. Please see Note 8 for details.

OTHER ITEMS

16. Employee stock ownership plans

Stock Appreciation Rights (SAR)

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

United Internet AG		
	SAR	Average strike price (€)
Outstanding as of December 31, 2015	2,875,000	22,78
Issued	150,000	43,76
Issued	120,000	43,49
Issued	250,000	44,06
Issued	75,000	43,51
Issued	30,000	43,45
Exercised	- 125,000	12,03
Exercised	- 20,000	12,12
Exercised	- 100,000	13,43
Exercised	- 325,000	16,06
Exercised	- 75,000	18,13
Exercised	- 75,000	21,95
Exercised	- 15,000	30,11
Exercised	- 85,000	31,15
Exercised	- 25,000	32,79
Outstanding as of June 30, 2016	2,655,000	29,24

Employee stock ownership program (ESOP)

In the second quarter of 2016, a new employee stock ownership program ("ESOP") was introduced for active core employees of those companies in which United Internet AG holds a stake of at least 50%. The ESOP is designed to involve employees more in the development of the United Internet Group and the United Internet AG share, while raising staff motivation and performance and in particular their ties with the United Internet Group, i.e. to honor their continued work for the company (loyalty). The ESOP consists of two components: firstly, qualifying employees will receive the option to buy a specific number of shares in United Internet AG („United Internet shares“) at a reduced price, which they must then hold for a vesting period of two years. On completion of the vesting period, participants will be granted further shares for free provided they are still working for the company. On achievement of defined "ambition figures", the qualifying employees will receive additional free shares (performance shares).

Of the 5,638 qualifying employees in total, 1,955 employees or 35% of those entitled have accepted the offer and subscribed for a total of 213,200 shares in United Internet AG. As of June 30, 2016, the Group incurred expenses of € 0.7 million for the employee stock ownership program.

17. Additional details on financial instruments

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

The following table presents the carrying values of each category of financial assets and liabilities as of June 30, 2016:

		Valuation acc. to IAS 39					
	Valuation category acc. to IAS 39	Carrying value on June 30, 2016 €k	Amortized cost €k	Fair value not through profit or loss €k	Fair value through profit or loss €k	Valuation acc. to IAS 17 €k	Fair value on June 30, 2016 €k
Financial assets							
Cash and cash equivalents	lar	88,094	88,094				88,094
Trade accounts receivable	lar/n/a						
Receivables from finance leases	n/a	53,982				53,982	54,891
Others	lar	213,412	213,412				213,412
Other current financial assets	lar	20,145	20,145				20,145
Other non-current financial assets	lar/afs						
Investments	afs	249,903	8,720	241,183			249,903
Others	lar	10,278	10,278				11,554
Financial liabilities							
Trade accounts payable	flac	- 404,947	- 404,947				- 404,947
Liabilities due to banks	flac	- 1,869,462	- 1,869,462				- 1,886,310
Other financial liabilities	flac/n/a						
Finance leases	n/a	- 98,055				- 98,055	- 100,306
Others	flac	- 119,081	- 119,081				- 119,081
Of which aggregated acc. to valuation categories:							
Loans and receivables (lar)	lar	331,929	331,929	0	0	0	333,205
Available-for-sale (afs)	afs	249,903	8,720	241,183	0	0	249,903
Financial liabilities measured at amortized cost (flac)	flac	- 2,393,490	- 2,393,490	0	0	0	- 2,410,338
Finance leases	n/a	- 44,073	0	0	0	- 44,073	- 45,415

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

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

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

Compared to December 31, 2015, there were no significant changes in the composition of financial instruments nor the methods and assumptions applied to measure fair value.

Hierarchy of assets and liabilities measured at fair value:

	As of June 30, 2016 €k	Level 1 €k	Level 2 €k	As of Dec. 31, 2015 €k	Level 1 €k	Level 2 €k
Available-for-sale financial assets						
Listed shares	241,183	241,183		428,150	428,150	

The hierarchy for determining and disclosing the fair value of financial instruments by valuation technique did not change from that used as of December 31, 2015.

18. Transactions with related parties

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

There were no changes to the circle of related parties as compared with the consolidated financial statements as at December 31, 2015.

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, 2016 is shown in the following table:

Management Board	Shares (units)	Supervisory Board	Shares (units)
Ralph Dommermuth	82,000,000	Kurt Dobitsch	-
Robert Hoffmann	211,907	Kai-Uwe Ricke	-
Jan Oetjen	14,033	Michael Scheeren	300,000
Frank Krause	920		
Martin Witt	24,864		
Total	82,251,724	Total	300,000

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 € 4,095k in the reporting period (prior year: € 3,732k).

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

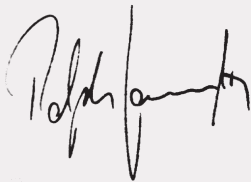
No significant transactions took place.

19. Subsequent events

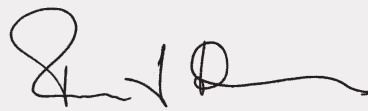
There were no significant events subsequent to the reporting period which may have resulted in a different representation of the Company's financial position and performance.

Montabaur, August 11, 2016

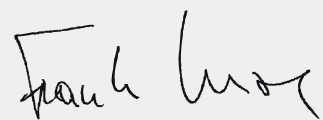
United Internet AG



Ralph Dommermuth



Robert Hoffmann



Frank Krause



Jan Oetjen



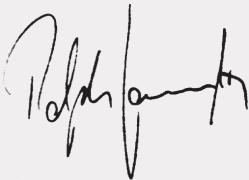
Martin Witt

RESPONSIBILITY STATEMENT

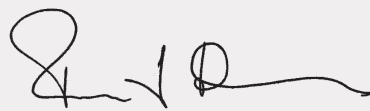
To the best of our knowledge, and in accordance with the applicable accounting principles for interim reporting, the consolidated interim financial statements give, in compliance with generally accepted accounting principles, a true and fair view of the assets, liabilities, financial position and profit 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 11, 2016

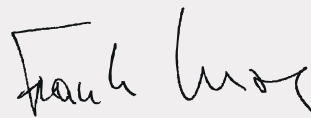
The Management Board



Ralph Dommermuth



Robert Hoffmann



Frank Krause



Jan Oetjen



Martin Witt

NET INCOME

Quarterly development in € million

	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q2 2015
Sales	931.4	960.9	968.6	982.6	918.3
Cost of sales	- 617.0	- 602.6	- 635.7	- 657.2	- 614.6
Gross profit	314.4	358.3	332.9	325.3	303.7
Selling expenses	- 129.1	- 134.2	- 133.9	- 135.8	- 150.8
General and administrative expenses	- 43.9	- 52.7	- 46.1	- 46.5	- 43.2
Other operating expenses / income	8.3	- 7.6	1.1	6.5	13.5
Operating result	149.7	163.7	154.0	149.4	123.2
Financial result	- 6.6	- 6.2	- 8.8	- 4.6	4.5
Amortization of financial assets	0.0	- 5.3	- 156.9	- 98.0	0.0
Result from associated companies	1.0	0.0	0.9	1.0	- 1.2
Pre-tax result	144.1	152.2	- 10.8	47.8	126.5
Income taxes	- 44.3	- 59.6	- 44.8	- 43.2	- 30.9
Net income before non-controlling interests	99.8	92.6	- 55.6	4.6	95.6
Attributable to					
non-controlling interests	0.1	0.1	0.0	0.1	0.0
shareholders of United Internet AG	99.7	92.5	55.6	4.5	95.6
Result per share of shareholders of United Internet AG (in €)					
- basic	0.49	0.46	- 0.27	0.02	0.46
- diluted	0.48	0.46	- 0.27	0.02	0.46

FINANCIAL CALENDAR

March 17, 2016	Annual financial statements for fiscal year 2015 press and analyst conference
May 17, 2016	Interim Statement for the first quarter 2016
May 19, 2016	Annual Shareholders' Meeting, Alte Oper, Frankfurt/Main
August 11, 2016	6-Month Report 2016 press and analyst conference
November 15, 2016	Interim Statement for the first 9 months 2016

IMPRINT

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August 2016

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

This 6-Month Report 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 6-Month Report contains certain forward-looking statements which reflect the current views of United Internet AG's management with regard to future events. These forward looking statements are based on our currently valid plans, estimates and expectations. The forward-looking statements made in this 6-Month Report are only based on those facts valid at the time when the statements were made. Such statements are subject to certain risks and uncertainties, as well as other factors which United Internet often cannot influence but which might cause our actual results to be materially different from any future results expressed or implied by these statements. Such risks, uncertainties and other factors are described in detail in the Risk Report section of the Annual Reports of United Internet AG. United Internet does not intend to revise or update any forward-looking statements set out in this 6-Month Report.

United Internet AG

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