united internet

Half-year financial report 2020

SELECTED KEY FIGURES

	June 30, 2020	June 30, 2019	Change
NET INCOME (in € million)			
Sales	2,657.9	2,556.5	+ 4.0%
EBITDA[(1)]	620.5	630.0	- 1.5%
EBIT[(1)]	385.4	390.8	- 1.4%
EBT[(2)]	360.8	342.0	+ 5.5%
EPS (in €)[(2)]	0.98	0.90	+ 8.9%
BALANCE SHEET (in € million)			
Current assets	1,438.9	1,401.6	+ 2.7%
Non-current assets	7,683.0	6,984.3	+ 10.0%
Equity	4,769.5	4,809.3	- 0.8%
Equity ratio	50.8%	57.3%	
Total assets	9,121.9	8,385.9	+ 8.8%
CASH FLOW (in € million)			
Operative cash flow	486.7	465.4	+ 4.6%
Cash flow from operating activities	383.2	246.0	+ 55.8%
Cash flow from investing activities	-115.6	- 68.6	+ 68.5%
Free cash flow[(3)]	211.0	138.0	+ 52.9%
EMPLOYEES			
Total headcount as of June 30	9,451	9,156	+ 3.2%
thereof Germany	7,811	7,573	+ 3.1%
thereof abroad	1,640	1,583	+ 3.6%
SHARE (in €)			
Share price as of June 30 (Xetra)	37.71	28.96	+ 30.2%
CUSTOMER CONTRACTS (in million)			
Access, total contracts	14.57	13.92	+ 0.65
thereof mobile internet	10.24	9.58	+ 0.66
thereof broadband connections	4.33	4.34	- 0.01
Consumer Applications, total accounts	40.82	39.21	+ 1.61
thereof with Premium Mail subscription (contracts)	1.57	1.54	+ 0.03
thereof with Value-Added subscription (contracts)	0.74	0.72	+ 0.02
thereof free accounts	38.51	36.95	+ 1.56
Business Applications, total contracts	8.32	8.11	+ 0.21
thereof Germany	3.98	3.86	+ 0.12
thereof abroad	4.34	4.25	+ 0.09
Fee-based customer contracts, total	25.20	24.29	+ 0.91

(1) H1 2019 including extraordinary income from the sale of virtual minds shares (EBITDA and EBIT effect: € +21.5 million)
(2) H1 2019 without extraordinary income from the sale of virtual minds shares (EBT effect: € +21.5 million; EPS effect: € +0.11 €) and without impairment charges Tele Columbus (EBT effect: € -34.2 million; EPS effect: € -0.17); H1 2020 without impairment reversals Tele Columbus (EBT effect: € +14.7 million; EPS effect: € +0.08)
(3) 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 (without aperiodic tax payments); including the repayment portion of lease liabilities, which have been reported under cash flow from financing activities since the fiscal year 2019 (IFRS 16)

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

Despite an adverse macroeconomic environment caused by the coronavirus pandemic, United Internet AG can look back on a successful first six months of 2020. We made further significant investments in new customer contracts and the expansion of existing customer relationships, and thus in sustainable growth. As a result, we increased the number of fee-based customer contracts organically by a further 460,000 contracts to 25.20 million. Of this total, 240,000 contracts were added in the Consumer Access segment and there was growth of 170,000 contracts in the Business Applications segment. A further 50,000 pay accounts and 920,000 ad-financed free accounts were gained in the Consumer Applications segment.

Consolidated sales grew by 4.0 % in the first half of 2020, from € 2,556.5 million in the previous year to € 2,657.9 million. This revenue growth was achieved in spite of the negative impact on business from the coronavirus pandemic, especially in the Consumer Access and Consumer Applications segments. There were opposing positive effects in the Business Access segment. Adjusted for these net effects of € -5.7 million, like-for-like sales rose by 4.2%.

At € 620.5 million, consolidated EBITDA in the first half of 2020 was just 1.5% below the prior-year figure of € 630.0 million. Adjusted for the extraordinary income of € 21.5 million from the sale of shares in virtual minds included in the previous year, EBITDA rose by 2.0%. This at first glance merely moderate increase was due in particular to negative effects in the Consumer Access segment from regulatory decisions of the EU on SMS tariffs (since May 15, 2019) and of Germany's Federal Network Agency regarding subscriber line charges (since July 1, 2019) with a total impact of € -13.7 million, which had only a minor impact in the first half of 2019 (€ -1.0 million). Moreover, the initial costs for the construction of our own 5G mobile communications network rose to € -5.6 million (prior year: € -1.9 million). By contrast, the one-off costs for integration projects declined to € -0.4 million (prior year: € -2.3 million). In addition to these expected effects with a net negative impact, the coronavirus pandemic also burdened consolidated earnings by a total of € -12.2 million in the first half of 2020. The negative impact on both the Consumer Access and Consumer Applications segments was offset in part by slightly positive effects in the Business Access segment. Adjusted for the extraordinary income in the previous year and the aforementioned negative effects, like-for-like EBITDA rose by 6.3%.

Consolidated EBIT of € 385.4 million was similarly influenced by these negative effects and was also just 1.4% below the prior-year figure (€ 390.8 million including the aforementioned extraordinary income). Adjusted for the extraordinary income in the previous year and the above mentioned effects, like-for-like EBIT increased by 11.4%.

Earnings per share (EPS) rose from € 0.84 in the previous year to € 1.06 for the reporting period. EPS for the first half of 2020 includes non-cash impairment reversals on shares held in Tele Columbus of € +14.7 million (EPS effect: € +0.08) as a result of closing-date effects. The value of these shares is adjusted throughout the year in accordance with the prevailing share price. By contrast, EPS for the first half of 2019 included non-cash impairment charges on Tele Columbus shares of € -34.2 million (EPS effect: € -0.17), as well as the extraordinary income of € +21.5 million from the sale of shares in virtual minds (EPS effect: € +0.11). Adjusted for these effects, operating EPS improved by 8.9% from € 0.90 to € 0.98 and operating EPS before PPA amortization by 7.9% from € 1.14 to € 1.23.

As announced in our ad hoc disclosure on August 11, 2020, we have updated our sales guidance and anticipate sales growth of approx. 4% for the full year 2020 (prior year: € 5,194.1 million). EBITDA is still expected to be on a par with the previous year (€ 1,265.7 million). This guidance is subject to uncertainty, as an exact assessment of the further duration and impact of the coronavirus pandemic is not currently possible.

We are well prepared for the next steps in our Company's development and upbeat about our prospects for the remaining months of the fiscal year. In view of the successful first half of the year – and in particular the challenges caused by the coronavirus pandemic – we would like to express our heartfelt gratitude to all employees for their dedicated efforts. We also want to thank our shareholders and business associates for the trust they continue to place in United Internet AG.

Montabaur, August 13, 2020

Ralph Dommermuth

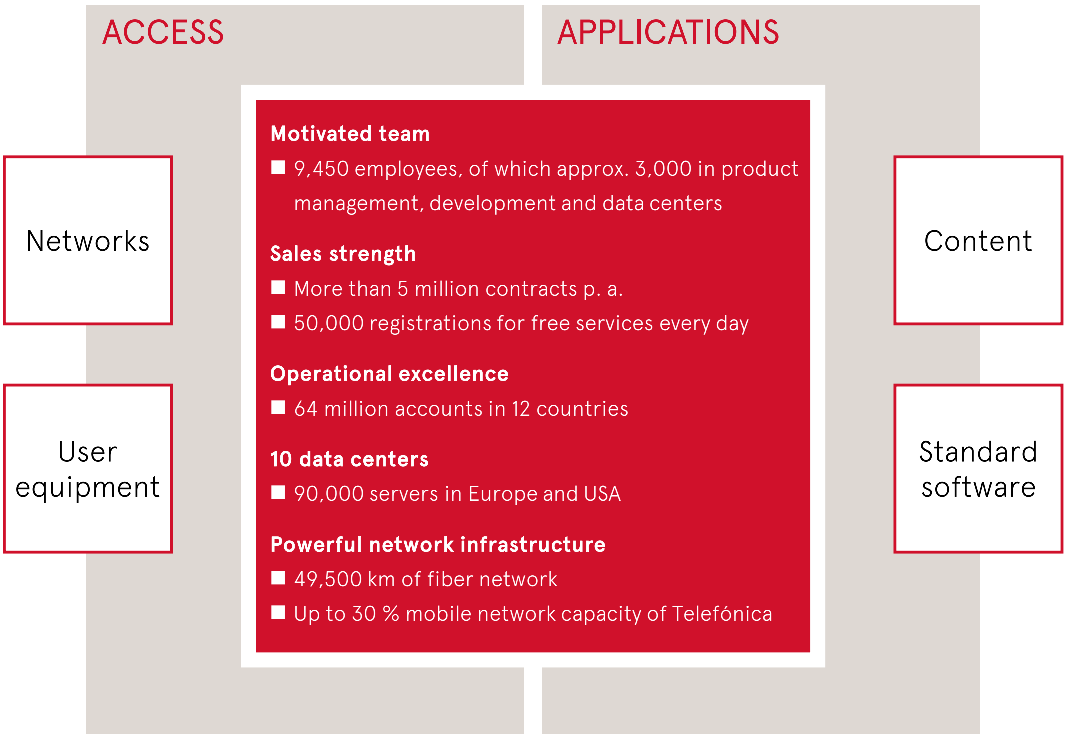
INTERIM GROUP MANAGEMENT REPORT FOR THE FIRST HALF OF 2020

Principles of the Group

Business model

Founded in 1988 and headquartered in Montabaur, Germany, United Internet AG is a leading European internet specialist with 25.20 million fee-based customer contracts and 38.51 million ad-financed free accounts around the world.

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



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

With a length of around 49,500 km, United Internet operates one of Germany's largest fiber-optic networks. Moreover, the Company is the only MBA MVNO in Germany – indirectly via 1&1 Drillisch AG, acquired in 2017 – with long-term rights to a share of up to 30% of the used network capacity of Telefónica Germany and thus has extensive access to one of the largest mobile networks. In the fiscal year 2019, United Internet also successfully participated in the 5G spectrum auction and purchased two frequency blocks of 2 x 5 MHz in the 2 GHz band and five frequency blocks of 10 MHz in the 3.6 GHz band. This laid the foundation for the development of the Company's own powerful mobile communications network. In addition to its own landline network and privileged access to the Telefónica network, the Company also uses standardized network services from various providers. These wholesale services are enhanced with end-user devices, self-developed applications, and services from the Company's own "Internet Factory" in order to differentiate them from the competition.

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

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

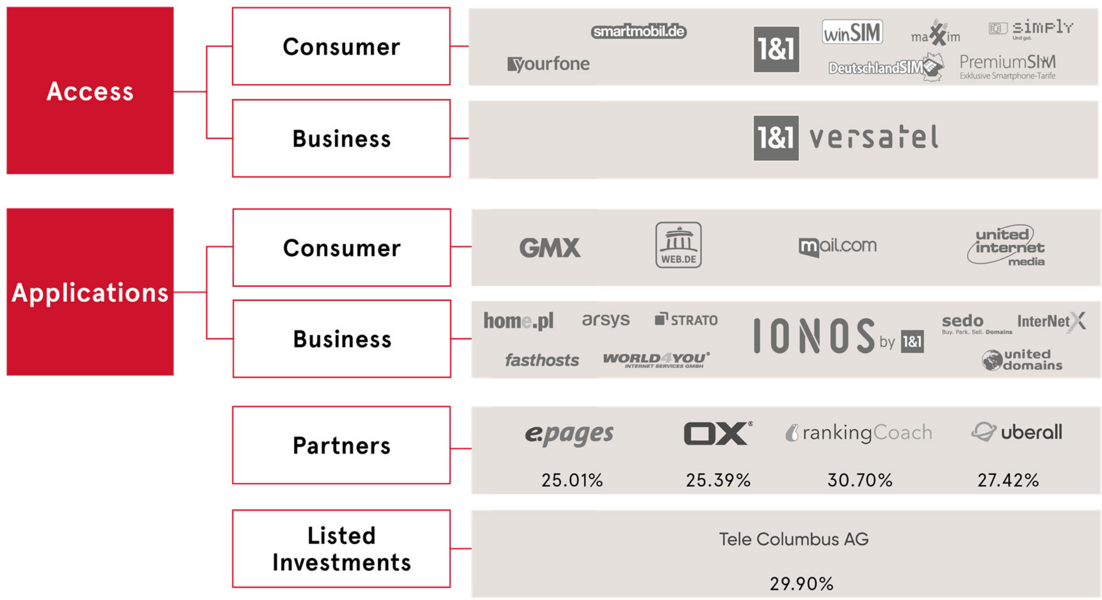
Applications division
The Applications division, with its two segments Consumer Applications and Business Applications, comprises ad-financed and fee-based applications for consumers and business customers. These include domains, websites, web hosting, servers and e-shops, Personal Information Management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

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

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

Applications are marketed to specific home-user and business-user target groups via the differently positioned brands GMX, mail.com, WEB.DE, IONOS, Arsys, Fasthosts, home.pl, InterNetX, STRATO, united-domains, and World4You. Via the Sedo brand, United Internet also offers customers professional services in the field of active domain management. Free apps are monetized via advertising run by the Company's in-house agency United Internet Media.

Brands and investments (as of June 30, 2020)



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 2019 (Annual Report 2019, pages 32 et seq.). There were no significant changes with regard to the Group in the first half of 2020.

Research and development

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

At the same time, the United Internet brands stand for internet access solutions and innovative web-based applications for home users and commercial clients which are predominantly developed in-house or in cooperation with partner companies. The Group's success is rooted in an ability to develop, combine or adapt innovative products and services and launch them on major markets.

In addition to constant improvements and measures to secure the reliable operation of all services offered, the approximately 3,000 developers, product managers, and technical administrators at United Internet's domestic and foreign facilities worked in particular on the following projects during the first half of 2020:

- **Consumer Access:**
  - Launch of a fiber-optic gigabit tariff for private customers
  - Development of a new "IPTV application" for smart TVs based on Tizen/Samsung

- **Business Access:**
  - Launch of standard products on a fiber-optic basis with bandwidths of over 1 Gbit/s

- **Consumer Applications:**
  - New cloud functions in the WEB.DE mail app
  - Letter notification by e-mail in cooperation with Deutsche Post
  - Expansion of big data platform via a centralized big data hub

- **Business Applications:**
  - Start of Private Cloud powered by VMWare, including Intel Scalable CPU with Optane technology
  - 10G speed for Intel Scalable bare metal servers
  - Introduction of Cloud PBX with integration into MS Teams for collaboration and voice services
  - Repositioning of Managed Wordpress
  - Launch of MyWebsite NOW – section-based web module for easy website creation
  - Introduction of a new website design service
  - Expansion of IONOS Dual Vendor Backbone to 100G speed (first multi-100G/200G connections in operation)

General economic, sector and legal conditions

Macroeconomic development

As a result of the coronavirus pandemic, the International Monetary Fund (IMF) already downgraded its growth forecasts for the global economy in 2020 after the first quarter of 2020. In its updated outlook (World Economic Outlook, Update April 2020), the IMF drastically reduced its forecast by -6.3% percentage points (compared to its January outlook) to -3.0%. The IMF was thus already anticipating the worst recession since the Great Depression of the 1930s.

Based in particular on the experiences made with the coronavirus pandemic in the second quarter of 2020, the IMF downgraded its forecasts for 2020 once again in its World Economic Outlook of June 2020 and for the first time predicted falling economic output in all global regions.

Specifically, the IMF now forecasts a decline of as much as -4.9% for the **global economy** in 2020 (prior year: +2.9%) and thus 8.2 percentage points lower than in its January outlook.

The Fund has also downgraded its forecasts for the United Internet Group's target markets in North America. For example, it forecasts a decline of -8.0% for the **USA** (prior year: +2.3%), 10.0 percentage points lower than in its January outlook. The forecast of -8.4% for **Canada** (prior year: +1.7%) is 10.2 percentage points less than originally expected. And for **Mexico**, the IMF forecasts a decline in economic output of -10.5% (prior year: -0.3%), and thus 11.5 percentage points lower than at the beginning of the year.

The picture is similar in United Internet's important **eurozone** region. The IMF has also drastically downgraded its forecast for the region and now expects economic output to fall by -10.2% (prior year: +1.3%), 11.5 percentage points less than in January. The forecast for **France** has been downgraded to -12.5% (prior year: +1.5%), for **Italy** to -12.8% (prior year: +0.3%) and for **Spain** to -12.8% (prior year: +2.0%). This corresponds to a decrease of 13.8 percentage points for France, 13.3 percentage points for Italy, and 14.4 percentage points for Spain compared to the January outlook.

For the **UK**, the IMF now expects a recession of -10.2% (prior year: +1.4%), or 11.6 percentage points lower than at the beginning of the year.

The IMF has also downgraded its economic forecast for **Germany** – United Internet's most important market by far (sales share 2019: around 92%) – by 8.9 percentage points so far this year and currently expects economic output to fall by -7.8% (prior year: +0.6%).

Changes in 2020 growth forecasts for United Internet's key target countries and regions

	2019	January forecast 2020	April forecast 2020	June forecast 2020	Change on January forecast
World	+2.9%	+3.3%	-3.0%	-4.9%	-8.2%-points
USA	+2.3%	+2.0%	-5.9%	-8.0%	-10.0%-points
Canada	+1.7%	+1.8%	-6.2%	-8.4%	-10.2%-points
Mexico	-0.3%	+1.0%	-6.6%	-10.5%	-11.5%-points
Eurozone	+1.3%	+1.3%	-7.5%	-10.2%	-11.5%-points
France	+1.5%	+1.3%	-7.2%	-12.5%	-13.8%-points
Spain	+2.0%	+1.6%	-8.0%	-12.8%	-14.4%-points
Italy	+0.3%	+0.5%	-9.1%	-12.8%	-13.3%-points
UK	+1.4%	+1.4%	-6.5%	-10.2%	-11.6%-points
Germany	+0.6%	+1.1%	-7.0%	-7.8%	-8.9%-points

Source: International Monetary Fund, World Economic Outlook (Update), June 2020

According to calculations of the Federal Statistical Office (Destatis), price-, season-, and calendar-adjusted gross domestic product (GDP) in Germany fell by -2.2% in the first quarter of 2020 (compared with the previous quarter) as a result of the coronavirus pandemic. This was already the sharpest decline since the global financial and economic crisis of 2008/2009 and the second sharpest decline since German reunification. In its press release of July 30, 2020, the Federal Statistical Office has since announced an unprecedented decline in (price-, season-, and calendar-adjusted) German GDP in the second quarter of 2020 of -10.1% (compared with the previous quarter).

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

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020e
GDP	0.6%	-0.5%	0.3%	0.0%	-2.0%	-10.1%

Source: Destatis, July 30, 2020

Legal conditions / significant events

In the first half of 2020, the legal parameters for United Internet's business activities remained largely unchanged from fiscal year 2019 and thus had no significant influence on the development of the United Internet Group.

Apart from the effects of the coronavirus pandemic described in this Half-year Financial Report, there were also no other significant events in the first six months of 2020 which had a material influence on the development of business.

Business development of the Group

Use of business-relevant key financial performance indicators

In order to ensure the clear and transparent presentation of United Internet's business trend, the Company's annual and interim financial statements include key performance indicators (KPIs) – in addition to the disclosures required by International Financial Reporting Standards (IFRS) – such as EBITDA, the EBITDA margin, EBIT, the EBIT margin, and free cash flow. Information on the use, definition, and calculation of these KPIs is provided in the Annual Report 2019 of United Internet AG on page 49.

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

Development of the Consumer Access segment

The number of **fee-based contracts in the Consumer Access segment** rose by 240,000 contracts to 14.57 million in the first half of 2020. Broadband connections decreased slightly by 10,000 to 4.33 million, while mobile internet contracts increased by 250,000 to 10.24 million.

Development of Consumer Access contracts in the first half of 2020

in million	June 30, 2020	Dec. 31, 2019	Change
Consumer Access, total contracts	14.57	14.33	+ 0.24
thereof Mobile Internet	10.24	9.99	+ 0.25
thereof broadband connections	4.33	4.34	- 0.01

Development of Consumer Access contracts in the second quarter of 2020

in million	June 30, 2020	Mar. 31, 2020	Change
Consumer Access, total contracts	14.57	14.43	+ 0.14
thereof Mobile Internet	10.24	10.10	+ 0.14
thereof broadband connections	4.33	4.33	0.00

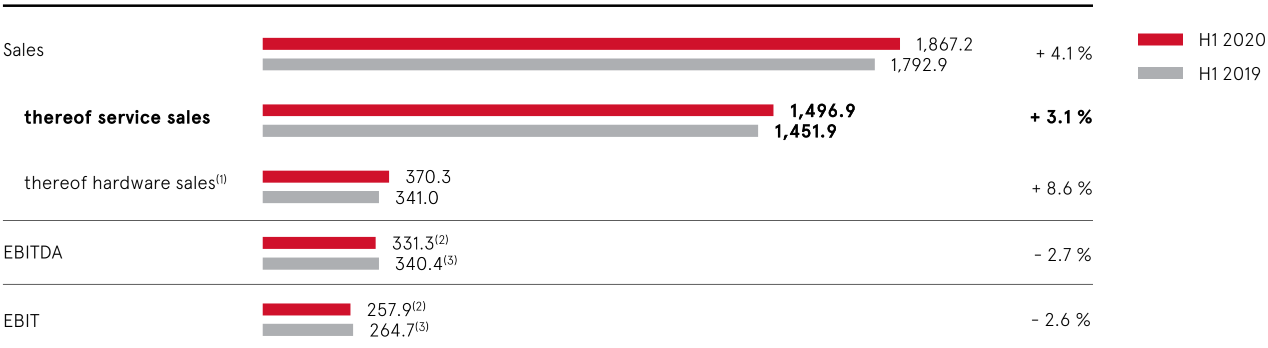
Sales of the Consumer Access segment rose by 4.1 % in the first half of 2020, from € 1,792.9 million in the previous year to € 1,867.2 million. Whereas the temporary change in customer behavior caused by the coronavirus pandemic (especially in the field of telephony (voice), due in part to work-from-home regulations and shelter-in-place restrictions) had a positive impact on sales in the first quarter of 2020, this was outweighed by burdens on sales (especially from reduced international roaming revenue) due to strict temporary travel restrictions for customers in this segment in the second quarter. All in all, there was a resulting negative sales effect of € -4.6 million in the first half of 2020. Adjusted for this effect, **like-for-like sales** rose by 4.4%.

Despite the fall in international roaming revenue, high-margin **service revenues** – which represent the core business of this segment – rose by 3.1% from € 1,451.9 million to € 1,496.9 million. Low-margin **hardware sales** increased by 8.6 % from € 341.0 million to € 370.3 million.

At € 331.3 million, however, **segment EBITDA** fell short of the prior-year figure (€ 340.4 million). This was mainly due to negative effects from regulatory decisions of the EU on SMS tariffs (since May 15, 2019) and of Germany's Federal Network Agency regarding subscriber line charges (since July 1, 2019) with a total impact of € -13.7 million, which had only a minor impact in the first half of 2019 (€ -1.0 million). Moreover, the initial costs for the construction of the Company's own 5G mobile communication network rose to € -5.6 million (prior year: € -1.9 million). By contrast, the one-off costs for integration projects declined to € -0.4 million (prior year: € -2.3 million). In addition to these expected effects with a net strongly negative impact, the temporary change in customer behavior caused by the coronavirus pandemic in the first half of 2020 (especially in the field of telephony (voice), due in part to work-from-home regulations and shelter-in-place restrictions) also burdened segment earnings by € -10.2 million. Adjusted for these effects, **like-for-like EBITDA** rose by 4.5 %.

As a result of the above mentioned burdens on earnings, **segment EBIT** was also down on the previous year at € 257.9 million (prior year: € 264.7 million).

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



(1) Hardware sales incl. small amount of other sales
(2) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -0.4 million)
(3) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -2.3 million)

Quarterly development; change over prior-year quarter

in € million	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q2 2019	Change
Sales	916.3	938.3	933.7	933.5	897.5	+ 4.0%
thereof service sales	**748.5**	**742.7**	**747.8**	**749.1**	**731.0**	**+ 2.5%**
thereof hardware sales(1)	167.8	195.6	185.9	184.4	166.5	+ 10.8%
EBITDA	168.2(2)	178.0(3)	164.8(4)	166.5(5)	171.9(6)	- 3.1%
EBIT	132.0(2)	139.4(3)	128.2(4)	129.7(5)	134.1(6)	- 3.3%

(1) Hardware sales incl. small amount of other sales
(2) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -1.5 million)
(3) Including one-off expenses for integration projects (EBITDA and EBIT effect: € +0.6 million from reversal of provisions)
(4) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -0.3 million)
(5) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -0.1 million)
(6) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -0.2 million)

Multi-period overview: Development of key sales and earnings figures

in € million	H1 2016 (IAS 18)	H1 2017 (IAS 18)	H1 2018 (IFRS 15)	H1 2019 (IFRS 16)	H1 2020
Sales	1,179.5	1,266.4	1,796.5	1,792.9	1,867.2
thereof service sales	**1,131.8**	**1,215.7**	**1,414.1**	**1,451.9**	**1,496.9**
thereof hardware sales[1]	47.7	50.7	382.4	341.0	370.3
EBITDA	184.3	215.5	340.2[2]	340.4[3]	331.3[4]
EBITDA margin	15.6%	17.0%	18.9%	19.0%	17.7%
EBIT	178.9	208.1	259.5[2]	264.7[3]	257.9[4]
EBIT margin	15.2%	16.4%	14.4%	14.8%	13.8%

(1) Hardware sales incl. small amount of other sales
(2) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -7.7 million)
(3) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -2.3 million)
(4) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -0.4 million)

Development of the Business Access segment

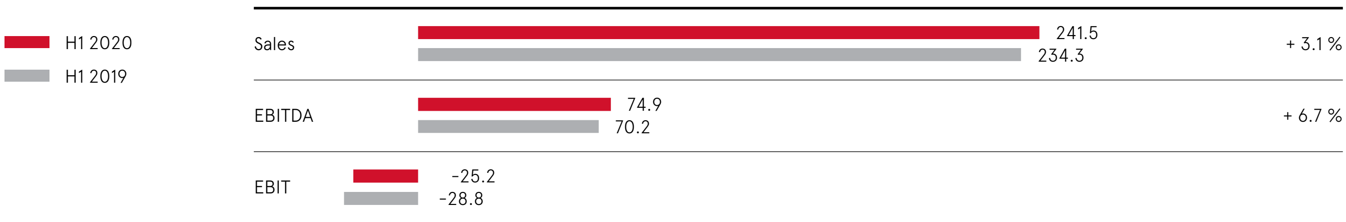
Despite the expiry in fiscal 2019 of services which 1&1 Versatel had previously provided for the broadband customers of 1&1 Drillisch, acquired in 2017, sales and earnings in the Business Access segment were noticeably improved.

Segment sales in the first half of 2020, for example, rose by 3.1% from € 234.3 million to € 241.5 million. There was even stronger growth in **segment EBITDA**, which improved by 6.7% from € 70.2 million to € 74.9 million. These figures include positive effects from increased telephony (voice) business as a result of the coronavirus pandemic, which led to an additional € +3.1 million in sales and € +1.4 million in EBITDA.

Without consideration of the services in the previous year, **like-for-like sales** rose by 6.8 % and **like-for-like EBITDA** by 12.0 % or – additionally adjusted for the above mentioned pandemic effect – by 5.4% (sales) and 9.9% (EBITDA).

Despite high writedowns for network infrastructure, **Segment EBIT** improved from € -28.8 million in the previous year to € -25.2 million.

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



Quarterly development; change over prior-year quarter

in € million	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q2 2019	Change
Sales	118.2	124.1	118.7	122.8	115.0	+ 6.8%
EBITDA	34.9	42.2	35.2	39.7	34.4	+ 15.4%
EBIT	-14.2	-8.2	-14.5	-10.7	-15.3	

Multi-period overview: Development of key sales and earnings figures

in € million	H1 2016 (IAS 18)	H1 2017 (IAS 18)	H1 2018 (IFRS 15)	H1 2019 (IFRS 16)	H1 2020
Sales	259.5	222.5	222.2	234.3	241.5
EBITDA	58.3	44.5	25.7	70.2	74.9
EBITDA margin	22.5%	20.0%	11.6%	30.0%	31.0%
EBIT	-4.1	-16.5	-37.8	-28.8	-25.2
EBIT margin	-	-	-	-	-

Development of the Consumer Applications segment

The number of **pay accounts** (fee-based contracts) in the Consumer Applications segment rose by 50,000 to 2.31 million in the first half of 2020. Ad-financed **free accounts** increased by 920,000 to 38.51 million. The total number of **Consumer Applications accounts** therefore increased by 970,000 to 40.82 million.

Development of Consumer-Applications accounts in the first half of 2020

in million	June 30, 2020	Dec. 31, 2019	Change
Consumer Applications, total accounts	40.82	39.85	+ 0.97
thereof with Premium Mail subscription	1.57	1.54	+ 0.03
thereof with Value-Added subscription	0.74	0.72	+ 0.02
thereof free accounts	38.51	37.59	+ 0.92

Development of Consumer-Applications accounts in the second quarter of 2020

in million	June 30, 2020	Mar. 31, 2020	Change
Consumer Applications, total accounts	40.82	40.71	+ 0.11
thereof with Premium Mail subscription	1.57	1.54	+ 0.03
thereof with Value-Added subscription	0.74	0.73	+ 0.01
thereof free accounts	38.51	38.44	+ 0.07

In the first six months of 2020, operations in the Consumer Applications segment continued to focus on the repositioning and reconstruction of the GMX und WEB.DE portals, as well as the simultaneous establishment of data-driven business models. In addition to the further increase in customer accounts, this transformation is already being reflected in initial successes in the segment's key financial figures – although these were overshadowed, especially in the second quarter of 2020, by the significant decline in the online advertising market due to the marked restraint of many advertisers during the coronavirus pandemic. The loss of marketing business caused by the pandemic impacted sales by € -4.2 million and earnings by € -3.4 million.

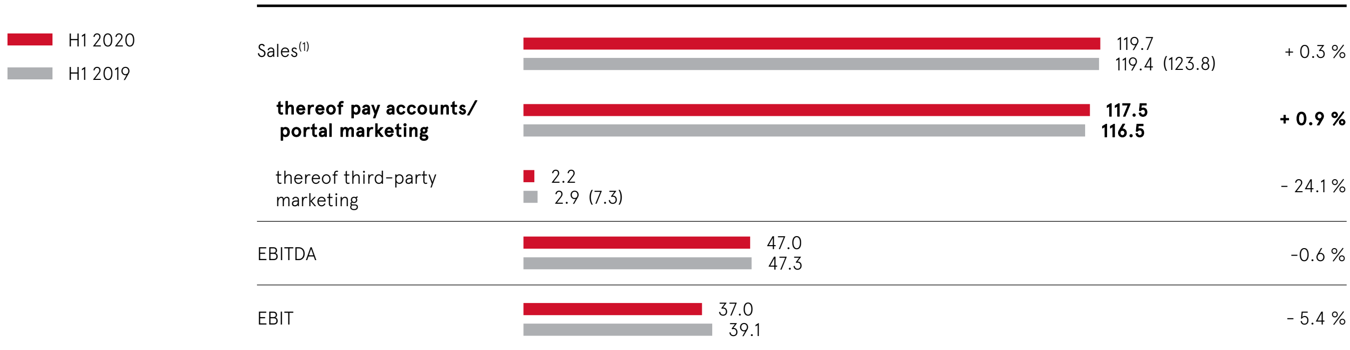
All in all, **sales of the Consumer Applications segment** improved by 0.3% from € 119.4 million (€ 123.8 million reported prior-year figure) to € 119.7 million. It should be noted that for this key figure, third-party marketing revenues were changed from gross to net presentation at the beginning of 2020. This change was necessitated by the altered contractual terms of newly concluded agreements with third-party marketing partners. A comparison of segment revenue on a net basis and after adjustment of the above mentioned pandemic-related negative sales effect (€ -4.2 million) reveals an increase in **total like-for-like sales** of 3.8 %.

Sales in the segment's core business of pay accounts and the marketing of ad space on its own portals improved by 0.9 % from € 116.5 million to € 117.5 million. Adjusted for the pandemic-related sales effect, **like-for-like sales in the segment's core business** rose by 4.5%. **Sales in the field of third-party marketing** amounted to € 2.2 million net – compared to a net amount of € 2.9 million in the previous year.

Segment EBITDA of € 47.0 million was not affected by the change to net disclosure but was slightly below the prior-year figure (€ 47.3 million) due to the above mentioned pandemic-related negative effects on earnings (€ -3.4 million). Adjusted for this effect, **like-for-like EBITDA** improved by 6.6%.

Due in particular to increased depreciation and amortization, as well as the negative impact of the coronavirus pandemic, **segment EBIT** of € 37.0 million was down on the previous year (€ 39.1 million).

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



(1) Sales in 2019 after changing from gross to net presentation of third-party marketing revenues in 2020; the gross amount disclosed in 2019 is shown in brackets

Quarterly development; change over prior-year quarter

in € million	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q2 2019	Change
Sales(1)	58.7 (60.7)	69.1 (70.6)	60.8	58.9	60.9 (63.4)	- 3.3%
thereof pay accounts/ portal marketing	**57.8**	**67.9**	**59.7**	**57.8**	**58.6**	**- 1.4%**
thereof third-party marketing	0.9 (2.9)	1.2 (2.7)	1.1	1.1	2.3 (4.8)	- 52.2%
EBITDA	23.3	33.1	23.3	23.7	25.9	- 8.5%
EBIT	19.0	27.7	18.4	18.6	20.9	- 11.0%

(1) Sales in the preceding quarters after changing from gross to net presentation of third-party marketing revenues in 2020; the gross amount disclosed in 2019 is shown in brackets

Multi-period overview: Development of key sales and earnings figures

in € million	H1 2016 (IAS 18)	H1 2017 (IAS 18)	H1 2018 (IFRS 15)	H1 2019 (IFRS 16)	H1 2020
Sales(1)	142.6	134.4	140.2	119.4 (123.8)	119.7
thereof pay accounts/ portal marketing	**134.2**	**126.6**	**124.4**	**116.5**	**117.5**
thereof third-party marketing	8.4	7.8	15.8	2.9 (7.3)	2.2
EBITDA	61.9	57.9	54.5	47.3	47.0
EBITDA margin	43.4%	43.1%	38.9%	39.6%	39.3%
EBIT	55.8	52.0	48.3	39.1	37.0
EBIT margin	39.1%	38.7%	34.5%	32.7%	30.9%

(1) Sales in 2019 after changing from gross to net presentation of third-party marketing revenues in 2020; the gross amount disclosed in 2019 is shown in brackets; 2016 - 2018 reported unchanged on a gross statement

Development of the Business Applications segment

Due in part to (time-limited) discounted offers for new customers during the coronavirus lockdown, the number of **fee-based Business Applications contracts** was increased by 170,000 contracts in the first half of 2020. This growth resulted from 80,000 new contracts in Germany and 90,000 abroad. As a result, the total number of contracts rose to 8.32 million.

Development of Business Applications contracts in the first half of 2020

in million	June 30, 2020	Dec. 31, 2019	Change
Business Applications, total contracts	8.32	8.15	+ 0.17
thereof in Germany	3.98	3.90	+ 0.08
thereof abroad	4.34	4.25	+ 0.09

Development of Business Applications contracts in the second quarter of 2020

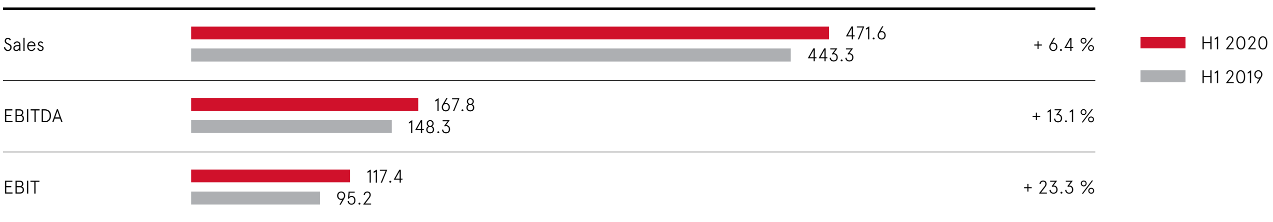
in million	June 30, 2020	Mar. 31, 2020	Change
Business Applications, total contracts	8.32	8.21	+ 0.11
thereof in Germany	3.98	3.93	+ 0.05
thereof abroad	4.34	4.28	+ 0.06

In the first six months of 2020, **sales of the Business Applications segment** rose by 6.4% from € 443.3 million in the previous year to € 471.6 million. This increase in revenue was attributable in part to the lower-margin and volatile domain parking business of the Sedo brand, which grew more strongly than in the weak prior-year period and contributed a total of 3.0 percentage points to growth in the first half of 2020.

Segment EBITDA improved by 13.1% from € 148.3 million to € 167.8 million. Segment EBITDA contains marketing expenses of € 48.0 million (€ 57.6 million in the previous year of which € 13.7 million for rebranding).

Due to lower depreciation and amortization charges (scheduled writedowns and PPA), as well as the lack of rebranding measures, **segment EBIT** rose by 23.3 % from € 95.2 million to € 117.4 million.

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



Quarterly development; change over prior-year quarter

in € million	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q2 2019	Change
Sales	222.4	224.9	237.0	234.6	223.1	+ 5.2%
EBITDA	88.5	69.4	76.9	90.9	74.6	+ 21.8%
EBIT	61.6	44.6 (1)	51.6	65.8	49.5	+ 32.9%

(1) Excluding trademark writeups Strato (EBIT effect: € +19.4 million)

Multi-period overview: Development of key sales and earnings figures

in € million	H1 2016 (IAS 18)	H1 2017 (IAS 18)	H1 2018 (IFRS 15)	H1 2019 (IFRS 16)	H1 2020
Sales	319.0	361.7	419.3	443.3	472.1
EBITDA	91.2	118.2	148.9	148.3	167.8
EBITDA margin	28.6%	32.7%	35.5%	33.5%	35.5%
EBIT	69.2	88.0	107.4	95.2	117.4
EBIT margin	21.7%	24.3%	25.6%	21.5%	24.9%

Share and dividend

The United Internet **share** rose by 28.8% in the first half of 2020 to € 37.71 as of June 30, 2020 (December 31, 2019: € 29.28). Compared to the same date last year (June 30, 2019: € 28.96), the share rose by 30.2%.

Multi-period overview: Share development

	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Closing price (Xetra)	37.20	48.15	49.06	28.96	37.71
Performance	- 6.7%	+ 29.4%	+ 1.9%	- 41.0%	+ 30.2%
Number of shares	205 million	205 million	205 million	205 million	194 million
Market value	€ 7.63 billion	€ 9.87 billion	€ 10.06 billion	€ 5.94 billion	€ 7.3 billion

Further information on **capital stock**, the **cancellation of treasury shares**, **share buybacks** and the amount of **treasury shares** held as of June 30, 2020 can be found in the section "Position of the Group" under "Asset position" on page 23.

At the (virtual) Annual Shareholders' Meeting of United Internet AG held on May 20, 2020, the proposal of the Management Board and Supervisory Board to pay a **dividend** of € 0.50 per share (prior year: € 0.05) for the fiscal year 2019, was approved with a majority of 99.99% of votes cast. As a consequence, a total of € 93.6 million (prior year: € 10.0 million) was distributed on May 26, 2020. The **payout ratio** was therefore 23.6% of the adjusted consolidated net income after minority interests for 2019 (€ 396.4 million) and thus – in view of the investments due to be made in the Company's own mobile communications network – within the lower range targeted by its dividend policy (20% – 40% of adjusted consolidated net income after minority interests, provided that funds are not needed for further Company development). Based on the closing price of the United Internet share on June 30, 2020, the **dividend yield** was therefore 1.3%.

Multi-period overview: Dividend development

	For 2015	For 2016	For 2017	For 2018	For 2019
Dividend per share (in €)	0.70	0.80	0.85	0.05	0.50
Dividend payment (in € million)	142.9	159.7	169.9	10.0	93.6
Payout ratio	39.0%	89.2%	26.1%	5.3%	22.1%
Adjusted payout ratio(1)	39.0%	36.8%	42.0%	2.5%	23.6%
Dividend yield(2)	1.9%	1.7%	1.7%	0.2%	1.3%

(1) Without special items: writedowns on financial assets / Rocket impairment charges (2016); net positive one-off effects from non-cash-effective valuation topics, transaction and restructuring costs, writedowns on brands, writedowns on financial assets / Rocket impairment charges, financing costs, one-off tax effects, and discontinued operations (2017); impairment charges on Tele Columbus shares (2018); reversal of impairment charges on Tele Columbus shares and trademark writeups on Strato (2019)

(2) As of: June 30

Position of the Group

Earnings position

In the first half of 2020, the total number of **fee-based customer contracts** in the United Internet Group was raised by 460,000 to 25.20 million contracts. At the same time, ad-financed free accounts rose by 920,000 to 38.51 million.

Consolidated sales grew by 4.0 % in the first six months of 2020, from € 2,556.5 million in the previous year to € 2,657.9 million. Revenue growth was impeded by the effects of the coronavirus pandemic. These effects had a particularly negative impact on the Consumer Access and Consumer Applications segments. There were opposing positive effects in the Business Access segment. Adjusted for these net effects of € -5.7 million, like-for-like sales rose by 4.2%.

Sales outside Germany improved by 7.1 % from € 215.2 million in the previous year to € 230.5 million in the first half of 2020.

Due in particular to the increased use of hardware and an additional burden on earnings from regulatory decisions, as well as extra costs for wholesale purchases due to the coronavirus pandemic, there was a disproportionately strong increase in **cost of sales** from € 1,685.8 million (65.9 % of sales) in the previous year to € 1,775.5 million (66.8 % of sales). There was a corresponding decline in the **gross margin** from 34.1% to 33.2 %. As a result, the increase in **gross profit** of 1.0 % from € 870.7 million to € 882.4 million was proportionately lower than that of sales (+4.0 %).

By contrast, **sales and marketing expenses** fell from € 382.0 million (14.9% of sales) in the previous year to € 376.8 million (14.2% of sales) and **administrative expenses** from € 102.4 million (4.0% of sales) to € 97.7 million (3.7 % of sales).

Multi-period overview: Development of key cost items

in € million	H1 2016 (IAS 18)	H1 2017 (IAS 18)	H1 2018[1] (IFRS 15)	H1 2019[2] (IFRS 16)	H1 2020
Cost of sales	1,231.3	1,272.9	1,688.3	1,685.8	1,775.5
Cost of sales ratio	65.5%	65.1%	66.5%	65.9%	66.8%
Gross margin	34.5%	34.9%	33.5%	34.1%	33.2%
Selling expenses	263.3	270.9	344.1	382.0	376.8
Selling expenses ratio	14.0%	13.9%	13.5%	14.9%	14.2%
Administrative expenses	92.0	85.2	109.2	102.4	97.7
Administrative expenses ratio	4.9%	4.4%	4.3%	4.0%	3.7%

(1) 2018 and 2019 adjusted as part of the financial statements 2019

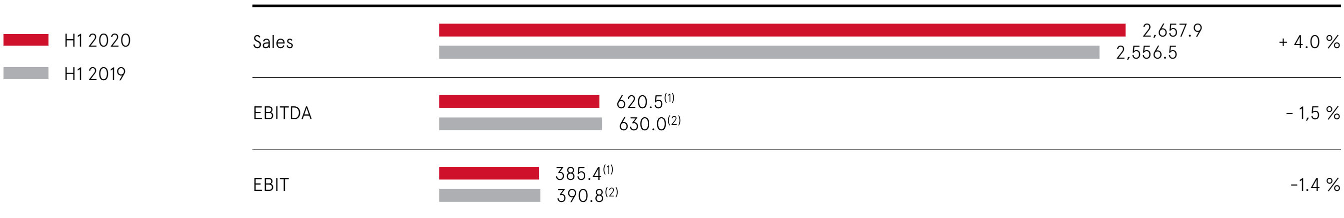
At € 620.5 million, **consolidated EBITDA** in the first half of 2020 was just 1.5% below the prior-year figure of € 630.0 million. Adjusted for the extraordinary income of € 21.5 million from the sale of shares in virtual minds included in the previous year, EBITDA rose by 2.0%. This at first glance merely moderate increase was due in particular to negative effects in the Consumer Access segment from regulatory decisions of the EU on SMS tariffs (since May 15, 2019) and of Germany's Federal Network Agency regarding subscriber line charges (since July 1, 2019) with a total impact of € -13.7 million, which had only a minor impact in the first half of 2019 (€ -1.0 million). Moreover, the initial costs for the construction of the Company's own 5G mobile communication network rose to € -5.6 million (prior year: € -1.9 million). By contrast, the one-off costs for integration projects declined to € -0.4 million (prior year: € -2.3 million). In addition to these expected effects with a net negative impact, the coronavirus pandemic also burdened consolidated earnings by a total of € -12.2 million in the first half of 2020. The high burdens in both the Consumer Access and Consumer Applications segments were offset in part by slightly positive effects in the Business Access segment. Adjusted for the extraordinary income in the previous year and the aforementioned negative effects, **like-for-like EBITDA** rose by 6.3%.

Consolidated EBIT of € 385.4 million was similarly influenced by these negative effects and was also just 1.4% below the prior-year figure (€ 390.8 million including the aforementioned extraordinary income). Adjusted for the extraordinary income in the previous year and the above mentioned effects, **like-for-like EBIT** increased by 11.4%.

Earnings before taxes (EBT) increased from € 329.3 million to € 375.5 million. The figure for the first half of 2020 includes non-cash impairment reversals on shares held in Tele Columbus (€ +14.7 million) as a result of closing-date effects. The value of these shares is adjusted throughout the year in accordance with the prevailing share price. By contrast, EBT for the first half of 2019 includes non-cash impairment charges on Tele Columbus shares (€ -34.2 million), as well as the extraordinary income from the sale of shares in virtual minds (€ +21.5 million). Adjusted for these effects, **operating EBT** increased by 5.5% from € 342.0 million in the previous year to € 360.8 million.

Earnings per share (EPS) rose from € 0.84 in the previous year to € 1.06. EPS in the reporting period was also influenced by the above mentioned writeups (EPS effect: € +0.08) and in the previous year by the extraordinary income (EPS effect: € +0.11) and the above mentioned impairment charges (EPS effect: € -0.17). Adjusted for these effects, **operating EPS** improved by 8.9% from € 0.90 to € 0.98 and operating **EPS before PPA amortization** by 7.9% from € 1.14 to € 1.23.

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



(1) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -0.4 million)
(2) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -2.3 million);
including extraordinary income from the sale of virtual minds shares (EBITDA and EBIT effect: € +21.5 million)

Quarterly development; change over prior-year quarter

in € million	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q2 2019	Change
Sales	1,298.5	1,339.1	1,329.4	1,328.5	1,280.0	+ 3.8%
EBITDA	314.0[1]	321.7[2]	300.8[3]	319.7[4]	330.3[5]	- 3.2%
EBIT	196.8[1]	204.1[2]	184.2[3]	201.2[4]	209.7[5]	- 4.1%

(1) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -1.5 million)
(2) Including one-off expenses for integration projects (EBITDA and EBIT effect: € +0.6 million);
excluding trademark writeups Strato (EBIT effect: € +19.4 million)
(3) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -0.3 million)
(4) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -0.1 million)
(5) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -0.2 million);
including extraordinary income from the sale of virtual minds shares (EBITDA and EBIT effect: € +21.5 million)

Multi-period overview: Development of key sales and earnings figures

in € million	H1 2016 (IAS 18)	H1 2017 (IAS 18)	H1 2018 (IFRS 15)	H1 2019 (IFRS 16)	H1 2020
Sales	1,880.6	1,954.1	2,539.6	2,556.5	2,657.9
EBITDA	398.0	429.9	565.5(1)	630.0(2)	620.5(3)
EBITDA margin	21.2%	22.0%	22.3%	24.6%	23.3%
EBIT	301.5	325.3	373.8(1)	390.8(2)	385.4(3)
EBIT margin	16.0%	16.6%	14.7%	15.3%	14.5%

(1) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -7.7 million)
(2) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -2.3 million);
including extraordinary income from the sale of virtual minds shares (EBITDA and EBIT effect: € +21.5 million)
(3) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -0.4 million)

Financial position

Thanks to the positive trend in operating earnings, **operative cash flow** rose from € 465.4 million in the previous year to € 486.7 million in the first half of 2020.

Cash flow from operating activities in the first half of 2020 increased from € 246.0 million in the previous year to € 383.2 million.

Cash flow from investing activities amounted to € 115.6 million in the reporting period (prior year: € 68.6 million). This resulted mainly from disbursements of € 123.3 million for capital expenditures (prior year: € 102.8 million).

United Internet's 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. Despite an increase in capital expenditures, **free cash flow** rose from € 190.7 million (excluding a capital gains tax payment of € 18.9 million and without tax payments for fiscal year 2017 and previous years of € 23.4 million) to € 263.1 million. Since the initial application of the accounting standard IFRS 16 in fiscal year 2019, the redemption share of lease liabilities is disclosed in cash flow from financing activities. After deducting the cash flow item "Redemption of finance lease liabilities and rights of use", free cash flow rose from € 138.0 million (without the above mentioned tax payments) to € 211.0 million.

Cash flow from financing activities in the first half of 2020 was dominated by the net repayment of loans totaling € 169.4 million (prior year: € 118.7 million), the dividend payment of € 93.6 million (prior year: € 10.0 million), and the redemption of lease liabilities of € 52.1 million (prior year: € 52.7 million).

As of June 30, 2020, **cash and cash equivalents** amounted to € 54.6 million – compared to € 47.9 million on the same date last year.

Multi-period overview: Development of key cash flow figures

in € million	H1 2016 (IAS 18)	H1 2017 (IAS 18)	H1 2018 (IFRS 15)	H1 2019 (IFRS 16)	H1 2020
Operative cash flow	303.2	315.6	418.9	465.4	486.7
Cash flow from operating activities	243.0(2)	394.5(3)	164.7	246.0	383.2
Cash flow from investing activities	-328.1	-741.2	-128.1	-68.6	-115.6
Free cash flow(1)	172.7(2)	297.8(3)	84.3(4)	138.0(5)	211.0(6)
Cash flow from financing activities	189.6	509.9	-163.6	-187.6	-329.9
Cash and cash equivalents on June 30	88.1	336.6	111.8	47.9	54.6

(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) 2016 without consideration of an income tax payment originally planned for the fourth quarter of 2015 (€ 100.0 million)
(3) 2017 without consideration of a capital gains tax refund originally planned for the fourth quarter of 2016 (€ 70.3 million)
(4) 2018 without tax payment from fiscal year 2016 (€ 34.7 million)
(5) 2019 without capital gains tax payment (€ 18.9 million) and without tax payments from fiscal year 2017 and previous years (€ 23.4 million) and including the repayment portion of lease liabilities, which have been reported under cash flow from financing activities since the fiscal year 2019 (IFRS 16)
(6) 2020 including the repayment portion of lease liabilities, which have been reported under cash flow from financing activities since the fiscal year 2019 (IFRS 16)

Asset position

The **balance sheet total** increased from € 9.086 billion as of December 31, 2019 to € 9.122 billion on June 30, 2020.

Current assets increased from € 1,371.2 million as of December 31, 2019 to € 1,438.9 million on June 30, 2020. Due to the redemption of bank liabilities and the dividend payment, **cash and cash equivalents** disclosed under current assets decreased from € 117.6 million to € 54.6 million. **Trade accounts receivable** rose from € 346.0 million to € 362.1 million due to closing-date effects. The item **contract assets** rose from € 507.8 million to € 526.2 million and includes current claims against customers due to accelerated revenue recognition from the application of IFRS 15. In order to avoid bottlenecks and ensure supplies (especially of smartphones) during the coronavirus pandemic, **inventories** were increased from € 79.3 million to € 100.5 million. **Prepaid expenses** increased from € 237.0 million to € 291.4 million and mainly comprise the short-term portion of expenses relating to contract acquisition and contract fulfillment according to IFRS 15. **Other financial assets** rose from € 48.1 million to € 54.8 million and **income tax claims** from € 21.5 million to € 39.2 million.

Non-current assets fell from € 7,715.2 million as of December 31, 2019 to € 7,683.0 million on June 30, 2020. Due in particular to the Tele Columbus impairment reversals, **shares in associated companies** increased from € 196.0 million to € 205.9 million. **Other financial assets** fell from € 90.4 million to € 76.8 million. **Property, plant, and equipment** rose from € 1,118.2 million to € 1,196.8 million (mainly due to additions from new long-term leases and network infrastructure), while **intangible assets** decreased from € 2,167.4 million to € 2,104.0 million. **Goodwill** was virtually unchanged at € 3,609.8 million. The item **contract assets** was also virtually unchanged at € 188.2 million and includes non-current claims against customers due to accelerated revenue recognition from the application of IFRS 15. **Prepaid expenses** decreased from € 284.3 million to € 228.0 million and mainly include the long-term portion of expenses relating to contract acquisition and contract fulfillment, as well as prepayments in connection with long-term purchasing agreements. **Deferred tax assets** rose from € 10.7 million to € 19.0 million.

Current liabilities of € 1,263.6 million on June 30, 2020 were virtually unchanged from € 1,269.0 million as of December 31, 2019. Due to closing-date effects, current **trade accounts payable** decreased from € 475.5 million to € 446.8 million. Short-term **bank liabilities** were virtually unchanged at € 243.9 million. **Income tax liabilities** increased from € 91.7 million to € 112.4 million. The item current **contract liabilities** was largely unchanged at € 146.4 million and mainly includes payments received from customer contracts for which the performance has not yet been completely rendered. Current **other financial liabilities** rose from € 239.4 million to € 256.3 million.

Non-current liabilities declined from € 3,202.6 million as of December 31, 2019 to € 3,088.8 million on June 30, 2020. Long-term **bank liabilities** were reduced significantly from € 1,494.6 million to € 1,325.1 million. **Deferred tax liabilities** decreased from € 351.8 million to € 342.1 million. The item non-current **contract liabilities** was virtually unchanged at € 32.7 million and mainly includes payments received from customer contracts for which the performance has not yet been completely rendered. The non-current **other financial liabilities** rose from € 1,246.9 million to € 1,316.0 million.

The Group's **equity capital** rose from € 4,614.7 million as of December 31, 2019 to € 4,769.5 million on June 30, 2020. The **equity ratio** increased accordingly from 50.8 % to 52.3 %.

Based on the authorization granted by the Annual Shareholders' Meeting on May 18, 2017 regarding the acquisition and use of treasury shares, and with the approval of the Supervisory Board, the Management Board of United Internet AG resolved on March 12, 2020 to cancel 11,000,000 treasury shares and to reduce the **capital stock** of United Internet AG by € 11,000,000, from € 205,000,000 to € 194,000,000. The number of shares issued decreased correspondingly by 11,000,000, from 205,000,000 to

194,000,000 shares. Issued shares continue to represent a notional share of capital stock of € 1 each. The **cancellation of treasury shares** is aimed at raising the percentage stake of United Internet shareholders. On completion of the capital reduction, the Company's capital stock therefore returned to the level prior to the capital increase for the Versatel acquisition in 2014. Following the cancellation of these 11,000,000 shares, United Internet still holds 6,338,513 **treasury shares** – compared to 17,338,513 as of December 31, 2019.

With the approval of the Supervisory Board, the Management Board of United Internet AG resolved on April 1, 2020 to launch a **new share buyback program**. In the course of this share buyback program up to 5,000,000 shares of the Company (corresponding to approx. 2.58 % of the capital stock of € 194,000,000) are to be bought back via the stock exchange. The Company thus also utilized the authorization issued by the Annual Shareholders' Meeting of May 18, 2017. The volume of the share buyback program amounts to € 150 million in total. The program was launched on April 3, 2020 and will last until August 31, 2020 at the latest. On April 30, 2020, the Management Board of United Internet AG resolved to suspend this share buyback program with effect as of the end of the trading day (April 30, 2020). United Internet AG reserves the right to resume or cancel the share buyback program at any time. In the course of this share buyback program, the Company bought back 430,624 treasury shares for a total of € 12.2 million and thus held a total of 6,769,137 **treasury shares** (approx. 3.49 % of capital stock) as of April 30, 2020, the date on which the program was suspended, and also at the end of the reporting period on June 30, 2020.

Despite the dividend payment of € 93.6 million, the Group's **net bank liabilities** (i.e., the balance of bank liabilities and cash and cash equivalents) fell from € 1,620.8 million as of December 31, 2019 to € 1,514.4 million on June 30, 2020.

Multi-period overview: Development of key balance sheet items

in € million	Dec. 31, 2016 (IAS 18)	Dec. 31, 2017 (IAS 18)	Dec. 31, 2018 (IFRS 15)	Dec. 31, 2019 (IFRS 16)	June 30, 2020
Total assets	4,073.7	7,605.2	8,173.8	9,086.4	9,121.9
Cash and cash equivalents	101.7	238.5	58.1	117.6	54.6
Shares in associated companies	755.5	418.0 (1)	206.9 (1)	196.0	205.9
Other financial assets	287.7	333.7 (2)	348.1 (2)	90.4 (2)	76.8
Property, plant and equipment	655.0	747.4 (3)	818.0	1,118.2 (3)	1,196.8
Intangible assets	369.5	1,408.4 (3)	1,244.6	2,167.4 (4)	2,104.0
Goodwill	1,087.7	3,564.1 (5)	3,612.6 (5)	3,616.5	3,609.8
Liabilities due to banks	1,760.7	1,955.8 (6)	1,939.1	1,738.4	1,569.0
Capital stock	205.0	205.0	205.0	205.0	194.0 (7)
Equity	1,197.8	4,048.7 (8)	4,521.5 (8)	4,614.7	4,769.5
Equity ratio	29.4%	53.2%	55.3%	50.8%	52.3%

(1) Decrease due to takeover and consolidation of ProfitBricks and Drillisch (2017); decrease due to Tele Columbus impairment charges (2018)
(2) Increase due to subsequent valuation of shares in listed companies (2017); increase due to subsequent valuation of shares in listed companies (2018); decrease due to sale of Rocket Internet shares (2019)
(3) Increase due to Strato, ProfitBricks and Drillisch takeovers (2017); increase due to initial application of IFRS 16 (2019)
(4) Increase due to initial recognition of acquired 5G frequencies (2019)
(5) Increase due to Strato, ProfitBricks and Drillisch takeovers (2017); increase due to World4You takeover (2018)
(6) Increase due to Strato takeover and increased stakes in Drillisch and Tele Columbus (2017)
(7) Decrease due to withdrawal of treasury shares
(8) Increase due to consolidation effects in connection with the investment of Warburg Pincus in the Business Applications segment and takeover of Strato (2017); transitional effects from initial application of IFRS 15 (2018)

Management Board's overall assessment of the business situation

United Internet can look back on a successful first six months of 2020. Despite an adverse macroeconomic environment, the Company made further successful investments in new customer contracts and the expansion of existing customer relationships, and thus in sustainable growth. As a result, the total number of fee-based customer contracts grew organically by a further 460,000 contracts to 25.20 million contracts.

240,000 contracts were added in the Consumer Access segment. In the Consumer Applications segment, 920,000 ad-financed free accounts and 50,000 pay accounts were added. A further 170,000 contracts resulted from the Business Applications segments.

In view of this customer growth, a 4.0 % increase in sales to around € 1.658 billion, and EBITDA of around € 621 million – which was 2.0% above the prior-year figure (adjusted for extraordinary income of € 21.5 million from the sale of shares in virtual minds) despite negative regulatory effects and burdens as a result of the coronavirus pandemic – United Internet made good progress once again in the first half of 2020.

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

With the sales and earnings figures achieved in the first half of 2020, as well as the investments made in sustainable corporate development, the Management Board believes that the Company is well placed for its further development.

Personnel report

As of June 30, 2020, the United Internet Group employed a total of 9,451 people. Compared to the previous year (9,156 employees), headcount increased by 295 staff or 3.2%.

Headcount in Germany rose by 238 employees or 3.1%, from 7,573 in the previous year to 7,811 on June 30, 2020. At the Group's companies outside Germany, headcount increased by 57 or 3.6%, from 1,583 in the previous year to 1,640.

From the segment perspective, there were 3,191 employees in the Consumer Access segment (prior year: 3,108), 1,177 in the Business Access segment (prior year: 1,150), 1,003 in the Consumer Applications segment (prior year: 976), 3,484 in the Business Applications segment (prior year: 3,345), and 596 in the Corporate/HQ division (prior year: 577). The gradual increase in Corporate/HQ staff results from the transfer of employees from other segments who already worked in corporate functions in the past, as well as from the pooling of apprentices in a specially created company.

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

	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	Change
Employees, total	7,893	8,387	8,999	9,156	9,451	+ 3.2%
thereof in Germany	6,302	6,859	7,520	7,573	7,811	+ 3.1%
thereof abroad	1,581	1,528	1,479	1,583	1,640	+ 3.6%
Consumer Access	2,345	2,489	3,145	3,108	3,191	+ 2.7%
Business Access	1,066	1,089	1,087	1,150	1,177	+ 2.3%
Consumer Applications	985	952	956	976	1,003	+ 2.8%
Business Applications	3,306	3,533	3,359	3,345	3,484	+ 4.2%
Corporate/HQ	191	324	452	577	596	+ 3.3%

(1) Active employees as of June 30 of the respective fiscal year

Personnel expenses rose by 2.9% in the first half of 2020, from € 278.3 million in the previous year to € 286.3 million. The personnel expense ratio was unchanged from last year at 10.8%.

Multi-period overview: Development of personnel expenses; change over previous year

in € million	H1 2016	H1 2017	H1 2018	H1 2019	H1 2020	Change
Personnel expenses	218.9	230.5	265.8	278.3	286.3	+ 2.9%
Personnel expense ratio	11.6%	11.8%	10.4%	10.8%	10.8%	

Subsequent events

There were no significant events subsequent to the reporting date of June 30, 2020 which had a material effect on the financial position and performance of the Company or the Group nor affected its accounting and reporting.

Risk and opportunity report

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

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

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

There were no recognizable risks which directly jeopardized the United Internet Group as a going concern during the reporting period nor at the time of preparing this Half-year Financial Report, neither from individual risk positions nor from the overall risk situation.

The main challenges at present are still the risk fields "Business development & innovations", "Information security", and "Litigation". The risk classification of the risk field "Organizational structure & decision-making", which was raised from low to moderate in the first quarter of 2020, could be reduced to low again in the second quarter of 2020. The further expansion of its risk management system enables United Internet to limit these and other risks to a minimum, where sensible, by implementing specific measures.

Compared with reporting on risks and opportunities in the Annual Financial Statements 2019, the other risk assessments remained unchanged in the first half of 2020.

Over the course of the fiscal year 2020 so far, the risk situation in the risk areas "Procurement market" and "Acts of God" has not changed significantly – despite the global spread of the coronavirus – compared to the annual financial statements 2019. Should the spread of the virus continue over a longer period, however, this may also have a negative impact on demand in the future, as well as on the usage and payment behavior of consumers and business owners, the purchase of pre-services (e.g. smartphones, routers, servers or network technology), or the health and fitness of employees, and thus ultimately on the performance of the United Internet Group. A precise risk assessment with regard to the duration and concrete effects of the coronavirus pandemic is not possible at present.

It is also impossible at present to make reliable statements about specific and lasting effects on the future sales and earnings figures of United Internet with regard to how the coronavirus pandemic may impact the usage behavior of customers in the further future, for example due to increased work from home.

Forecast report

Economic prospects

As a result of the coronavirus pandemic, the International Monetary Fund (IMF) already downgraded its growth forecasts for the global economy in 2020 after the first quarter of 2020. In its updated outlook (World Economic Outlook, Update April 2020), the IMF drastically reduced its forecast by -6.3% percentage points (compared to the January outlook) to -3.0%. The IMF was thus already anticipating the worst recession since the Great Depression of the 1930s.

In its World Economic Outlook of June 2020, the IMF downgraded its forecasts for 2020 once again and for the first time predicted falling economic output in all global regions. It now forecasts a decline of as much as -4.9% for the **global economy**. The Fund expects a dramatic slump in all the United Internet Group's main target markets. In North America, the IMF forecasts -8.0% in the **USA**, -8.4% in **Canada** and -10.5% in **Mexico**, and in Europe -7.8% in **Germany**, -10.2% in the **UK**, -12.5% in **France**, and -12.8% in both **Italy** and **Spain**.

According to the Fund's estimates, the global economy should grow again by +5.4% in 2021. However, the recovery threatens to be slow. One reason for this is that a voluntary continuation of social distancing regulations might restrict consumption for an even longer period. The IMF states that its forecast for 2021 is subject to even more uncertainty than usual, as it is still unclear to what extent further infection waves might occur. Should there be a second outbreak at the beginning of 2021, the effects would be about half as great as in the current year, according to an alternative scenario of the IMF. This is based on the assumption that the number of potentially affected people would then be smaller and their protection could be better guaranteed on the basis of experience to date.

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

	2021e	2020e	2019
World	+5.4%	-4.9%	+2.9%
USA	+4.5%	-8.0%	+2.3%
Canada	+4.9%	-8.4%	+1.7%
Mexico	+3.3%	-10.5%	-0.3%
Eurozone	+6.0%	-10.2%	+1.3%
France	+7.3%	-12.5%	+1.5%
Spain	+6.3%	-12.8%	+2.0%
Italy	+6.3%	-12.8%	+0.3%
UK	+6.3%	-10.2%	+1.4%
Germany	+5.4%	-7.8%	+0.6%

Source: International Monetary Fund, World Economic Outlook (Update), June 2020

Following the sharp declines in German gross domestic product in the first two quarters of 2020 by -2.0% and -10.1% respectively, compared to the respective previous quarters, the German Institute for Economic Research (DIW Berlin) states in its weekly report 24/2020 "German Economy Slowly Recovering Following a Deep Slump" that **Germany** has reached its lowest point and can now expect – subject to a containment of the pandemic – a slight increase in economic output of +2.8% for the 3rd quarter and +1.2% for the 4th quarter.

The Institute does not expect the easing of restrictions to result in a rapid return to previous levels of economic output, however, as extensive restrictions will remain in force – such as social distancing or the wearing of face masks, which limit capacities and impede consumer behavior. Above all, uncertainties – such as employees' fears of unemployment or companies' concerns about the potential of sales markets – and the massive loss of income are likely to have a continued impact.

Sector and market expectations

The industry association BITKOM also believes that the **German ICT market** (information technology, telecommunications, and consumer electronics) has reached its lowest point and noted at its half-year press conference 2020 on June 29, 2020 that business sentiment in the industry had brightened considerably in June 2020 compared with the two previous months following the "corona shock". Nevertheless, on the basis of its current calculations, the association now expects a decline in sales of -3.3% to € 163.5 billion for the full year 2020. At the beginning of the year, and thus prior to the coronavirus pandemic, BITKOM had forecast sales growth of +1.5% (prior year: +2.0%). For 2021, the association expects that the anticipated decline can be largely recouped and forecasts sales growth of +2.0% to € 166.7 billion – assuming there is no further nationwide lockdown.

The decline in the overall ICT market in 2020 is due in particular to falling sales in **information technology**. According to the BITKOM forecast for 2020, sales in this largest submarket will fall by -5.6% to € 88.2 billion – after growth of 2.7% (prior year: +3.5%) had been forecast at the beginning of the year. Declines are expected in all areas: -4.0% for software, -5.4% for IT services, and -7.5% for IT hardware.

In the **consumer electronics** segment, the downward trend of recent years is continuing as expected. A strong decline of -7.0% to € 8.2 billion is still expected for 2020.

Telecommunications market in Germany

BITKOM estimates that the telecommunications submarket will have a stabilizing effect on the overall ICT market. The industry association currently predicts growth of +0.4% to € 67.1 billion for this core market of United Internet – compared to expected growth of +1.0% (prior year: +2.0%) at the beginning of the year. According to BITKOM calculations, telecommunications services are expected to generate sales of € 48.8 billion, which corresponds to growth of +0.7%. Investments in infrastructure are expected to increase by +0.5% to € 7.1 billion. By contrast, sales of end-user devices are expected to decline by -1.1% to € 11.2 billion.

Online advertising market in Germany

A recent market survey conducted by IPG subsidiary Magna (June 2020) concludes that global advertising revenues for analog and digital formats will fall by over $ 42 billion in 2020 in the wake of the global coronavirus pandemic. This would represent a decline of more than 7%. The forecast for the German advertising market is equally bleak. It states that net advertising spend will decline by -10.5% and thus by € 20.6 billion. According to the experts, not even the financial crisis of 2008 had such a strong impact. Advertising revenues of traditional media in particular are facing a historic slump. However, even digital media are struggling in the current crisis. According to Magna, these media may be more resilient, but are also expected to record losses of up to -2.0% in 2020 as a whole – after Magna had forecast growth of +8.2% at the beginning of the year.

Global cloud computing market
In its study "Forecast Analysis: Public Cloud Services, Worldwide" (November 2019 and thus prior to the coronavirus pandemic), Gartner forecast growth of +16.6% in 2020 for the global cloud computing market, a further core market of United Internet. In view of the global macroeconomic recession and current uncertainties regarding the further economic development as a result of the pandemic, it is uncertain whether the market growth forecast in this study can actually be achieved in 2020. However, industry analysts such as Canalys believe that the pandemic is actually accelerating the pace of digitization. According to Canalys, for example, the strong growth (+39.3%) of cloud infrastructures, a submarket of the cloud computing market, in the first quarter of 2020 was initially driven by companies instructing their employees to work remotely or from home during the pandemic. As a result, there was increasing demand for collaboration tools, e-commerce, and consumer cloud services. This demand mainly benefited the large cloud providers. By contrast, the analysts identified "a slowdown in large complex enterprise migrations and transformational cloud projects" as a result of the pandemic. And according to Canalys, there was also reduced demand for cloud infrastructure from the hospitality and travel industries.

Expectations for the Company

Expectations for the Company in 2020

As announced in the ad hoc disclosure on August 11, 2020, United Internet expects sales growth of approx. 4% for the full year 2020 (prior year: € 5,194.1 million). EBITDA is still expected to be on a par with the previous year (€ 1,265.7 million). This guidance is subject to uncertainty, as an exact assessment of the further duration and impact of the coronavirus pandemic is not currently possible.

Management Board's overall statement on the anticipated development

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

At the time of preparing this Half-year Financial Report, the Management Board of United Internet AG believes that the Company is on track to reach the sales and earnings guidance presented above in the section "Forecast for the fiscal year 2020".

Forward-looking statements

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

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GROUP BALANCE SHEET

As of June 30, 2020 in €k

ASSETS	June 30, 2020	December 31, 2019
Current assets		
Cash and cash equivalents	54,573	117,573
Trade accounts receivable	362,086	346,004
Contract assets	526,211	507,829
Inventories	100,519	79,268
Prepaid expenses	291,406	237,036
Other financial assets	54,764	48,141
Income tax claims	39,187	21,546
Other non-financial assets	10,147	13,772
	1,438,892	**1,371,168**
Non-current assets		
Shares in associated companies	205,861	196,037
Other financial assets	76,779	90,413
Property, plant and equipment	1,196,759	1,118,192
Intangible assets	2,104,041	2,167,392
Goodwill	3,609,828	3,616,515
Trade accounts receivable	54,518	57,697
Contract assets	188,162	174,251
Prepaid expenses	228,036	284,252
Deferred tax assets	19,064	10,437
	7,683,049	**7,715,186**
Total assets	**9,121,941**	**9,086,354**

LIABILITIES AND EQUITY	June 30, 2020	December 31, 2019
Current liabilities		
Trade accounts payable	446,829	475,535
Liabilities due to banks	243,863	243,733
Income tax liabilities	112,394	91,680
Contract liabilities	146,422	149,930
Other accrued liabilities	12,478	18,372
Other financial liabilities	256,299	239,435
Other non-financial liabilities	45,285	50,337
	1,263,571	**1,269,022**
Non-current liabilities		
Liabilities due to banks	1,325,145	1,494,635
Deferred tax liabilities	342,073	351,824
Trade accounts payable	6,521	6,092
Contract liabilities	32,676	34,893
Other accrued liabilities	66,449	67,650
Other financial liabilities	1,315,964	1,247,507
	3,088,827	**3,202,601**
Total liabilities	**4,352,398**	**4,471,623**
EQUITY		
Capital stock	194,000	205,000
Capital reserves	2,314,352	2,643,946
Accumulated profit	2,099,169	1,993,860
Treasury shares	-212,730	-548,443
Revaluation reserves	27,228	25,173
Currency translation adjustment	-18,041	-9,558
Equity attributable to shareholders of the parent company	**4,403,978**	**4,309,977**
Non-controlling interests	365,565	304,753
Total equity	**4,769,543**	**4,614,730**
Total liabilities and equity	**9,121,941**	**9,086,354**

GROUP NET INCOME

From January 1 to June 30, 2020 in €k

	2020 January - June	**2019** January - June*
Sales	2,657,861	2,556,500
Cost of sales	-1,775,461	-1,685,763
Gross profit	**882,400**	**870,738**
Selling expenses	-376,781	-381,972
General and administrative expenses	-97,709	-102,370
Other operating income / expenses	17,391	47,740
Impairment of receivables and contract assets	-39,923	-43,346
Operating result	**385,378**	**390,789**
Financial result	-19,606	-17,706
Result from associated companies	9,767	-43,735
Pre-tax result	**375,538**	**329,348**
Income taxes	-113,421	-103,837
Net income	**262,117**	**225,511**
thereof attributable to		
non-controlling interests	63,193	57,763
Shareholders of United Internet AG	198,924	167,748

* Prior-year figures adjusted within 2019 consolidated financial statements

	2020 January - June	2019 January - June
Result per share of shareholders of United Internet AG (in €)		
basic	1.06	0.84
diluted	1.06	0.84
Weighted average of outstanding shares (in million units)		
basic	187.47	200.30
diluted	187.47	200.30
Reconciliation to total comprehensive income		
Net income	262,117	225,511
Items that may be reclassified subsequently to profit or loss		
Currency translation adjustment - unrealized	-11,972	1,118
Items that are not reclassified subsequently to profit or loss		
Market value changes of financial assets measured at fair value through other comprehensive income	2,388	71,069
Tax effect	-25	0
Share in other comprehensive income of associated companies	255	253
Other comprehensive income	**-9,354**	**72,440**
Total comprehensive income	**252,763**	**297,951**
thereof attributable to		
non-controlling interests	60,266	58,023
Shareholders of United Internet AG	**192,497**	**239,928**

GROUP CASH FLOW

From January 1 to June 30, 2020 in €k

	2020 January - June	2019 January - June
Result from operating activities		
Net income	262,117	225,511
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of intangible assets and property, plant and equipment	149,123	147,260
Depreciation and amortization of assets resulting from company acquisitions	86,010	91,959
Employee expenses from employee shareholdings	6,051	6,328
Result from associated companies	-9,767	43,735
Income from the sale of associated companies	0	-21,512
Other non-cash items from tax adjustments	-13,954	-26,362
Other non-cash items	7,083	-1,544
Operative cash flow	**486,664**	**465,374**
Change in assets and liabilities		
Change in receivables and other assets	-18,402	11,256
Change in inventories	-21,251	-1,137
Change in contract assets	-32,294	-59,386
Change in income tax claims	-17,640	18,170
Change in deferred expenses	1,845	-4,506
Change in trade accounts payable	-28,277	-134,766
Change in other accrued liabilities	-7,095	-10,220
Change in income tax liabilities	20,714	-32,722
Change in other liabilities	5,693	20,635
Change in contract liabilities	-6,807	-7,747
Change in assets and liabilities, total	**-103,513**	**-200,424**
Capital gains tax refund	0	-18,922
Cash flow from operating activities	**383,151**	**246,028**

	2020 January - June	2019 January - June
Cash flow from investing activities		
Capital expenditure for intangible assets and property, plant and equipment	-123,255	-102,779
Payments from disposals of intangible assets and property, plant and equipment	3,214	5,091
Purchase of shares in associated companies	0	-4,548
Payments received from the sale of associated companies	0	35,601
Payments for loans granted	0	-2,500
Payments received from the repayment of other financial assets	4,396	525
Cash flow from investment activities	**-115,646**	**-68,610**
Cash flow from financing activities		
Purchase of treasury stock	-12,235	0
Repayment of loans	-169,360	-118,718
Redemption of finance lease liabilities and rights of use	-52,129	-52,737
Dividend payments	-93,615	-10,015
Dividend payments to non-controlling interests	-2,577	-2,557
Payments from/to minority interests	0	-3,844
Cash flow from financing activities	**-329,916**	**-187,871**
Net change in cash and cash equivalents	-62,411	-10,454
Cash and cash equivalents at the beginning of fiscal year	117,573	58,066
Currency translation adjustments of cash and cash equivalents	-590	323
Cash and cash equivalents at end of fiscal year	**54,572**	**47,935**

GROUP CHANGES IN SHAREHOLDERS´ EQUITY

	Capital stock		Capital reserves	Accumulated profit	Treasury shares	
	Share	€k	€k	€k	Share	€k
Balance as of January 1, 2019	**205,000,000**	**205,000**	**2,703,141**	**1,496,154**	**4,702,990**	**-174,858**
Net income				167,748		
Other comprehensive income						
Total comprehensive income				**167,748**		
Employee stock ownership program			4,689			
Dividend payments				-10,015		
Profit distributions						
Transactions with shareholders			-2,817			
Balance as of June 30, 2019	**205,000,000**	**205,000**	**2,705,013**	**1,653,887**	**4,702,990**	**-174,858**
Balance as of January 1, 2020	**205,000,000**	**205,000**	**2,643,946**	**1,993,860**	**17,338,513**	**-548,442**
Net income				198,924		
Other comprehensive income						
Total comprehensive income				**198,924**		
Purchase of treasury shares					430,624	-12,235
Redemption of own shares	-11,000,000	-11,000	-336,946		-11,000,000	347,946
Employee stock ownership program			7,352			
Dividend payments				-93,615		
Profit distributions						
Balance as of June 30, 2020	**194,000,000**	**194,000**	**2,314,352**	**2,099,169**	**6,769,137**	**-212,730**

Revaluation reserves	Currency translation difference	Equity attributable to shareholders of United Internet AG	Non-controlling interests	Total equity
€k	€k	€k	€k	€k
83,023	**-14,314**	**4,298,146**	**223,326**	**4,521,472**
		167,748	57,763	225,511
71,431	749	72,180	260	72,440
71,431	**749**	**239,928**	**58,023**	**297,951**
		4,689	1,639	6,328
		-10,015		-10,015
		0	-2,557	-2,557
		-2,817	-1,026	-3,843
154,454	**-13,565**	**4,529,931**	**279,405**	**4,809,336**
25,173	**-9,558**	**4,309,977**	**304,753**	**4,614,730**
		198,924	63,193	262,117
2,055	-8,482	-6,427	-2,927	-9,354
2,055	**-8,482**	**192,497**	**60,266**	**252,763**
		-12,235		-12,235
		0		0
		7,352	3,123	10,475
		-93,615		-93,615
		0	-2,577	-2,577
27,228	**-18,040**	**4,403,979**	**365,565**	**4,769,543**

EXPLANATIONS FOR THE HALF-YEAR FINANCIAL REPORT

1. Information on the Company

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

2. Significant accounting, measurement and consolidation principles

As was the case with the Consolidated Financial Statements as of December 31, 2019, the interim reporting of United Internet AG as of June 30, 2020 was prepared in compliance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU).

The condensed Interim Consolidated Financial Statements for the period January 1, 2020 to June 30, 2020 were prepared in accordance with IAS 34 Interim Financial Reporting.

A condensed reporting format was chosen for the presentation of these Interim Consolidated Financial Statements, as compared with the Consolidated Financial Statements, and are thus to be read in conjunction with the Consolidated Financial Statements as of December 31, 2019. With the exception of the mandatory new standards described below, the accounting and measurement principles applied in the condensed Interim Consolidated Financial Statements, as well as the material judgments and estimates, 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, 2020:

Standard		Mandatory for fiscal years beginning on or after	Endorsed by EU Commission
IFRS 3	Amendment: Definition of a Business	January 1, 2020	No
IFRS 7, IFRS 9, IAS 39	Interest Rate Benchmark Reform	January 1, 2020	Yes
IAS 1, IAS 8	Amendment: Definition of Material	January 1, 2020	Yes

In addition, the revised conceptual framework for IFRS standards also applies as of January 1, 2020. This contains revised definitions of assets and liabilities, as well as guidance on measurement and derecognition, presentation and disclosure.

There were no significant effects on these Interim Consolidated Financial Statements from the initial application of the new accounting standards.

Use of estimates and assumptions

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

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

Impact of the coronavirus pandemic

Due to its long-term subscription business, the Company is well positioned and as such the impact was largely moderate, depending on the respective business segment.

Consumer Access
There were burdens on sales of € -4.6 million (especially reduced international roaming revenue) from the coronavirus pandemic due to strict temporary travel restrictions for customers in this segment.

Business Access
In the Business Access segment, increased telephony (voice) business as a result of the coronavirus pandemic resulted in positive effects on sales of € +3.1 million.

Consumer Applications
The loss of marketing business caused by the pandemic impacted sales by € -4.2 million and earnings by € -3.4 million.

Trade accounts receivable
The recoverability of receivables due to the coronavirus pandemic remained essentially unchanged compared to December 31, 2019.

Intangible assets and property, plant and equipment
As of the current date, the coronavirus pandemic has not had any significant impact on the carrying value of intangible assets and property, plant and equipment.

The impact and subsequent effects of the coronavirus pandemic continue to be subject to uncertainty, as an exact assessment of the duration and further impact of the coronavirus pandemic is not currently possible.

Miscellaneous

The Interim Consolidated Financial Statements include all significant subsidiaries and associated companies. The consolidated group remained largely unchanged from that stated in the Consolidated Financial Statements as at December 31, 2019.

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

EXPLANATION OF ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

3. Segment reporting

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

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

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

Segment reporting of United Internet AG for the reporting period January 1 to June 30, 2020 and for the comparative period from January 1 to June 30, 2019 was as presented in the tables on page 46.

As of the reporting date, the closing balances of capitalized contract costs for contract initiation costs amounted to € 175 million (prior year: € 173 million) and for contract fulfillment costs to € 100 million (prior year: € 117 million).

Sales of the Consumer Access segment from customer contracts include hardware sales of € 370 million in the reporting period. The other business segments only include sales from services.

4. Personnel expenses

Personnel expenses amounted to € 286,254k in the reporting period of 2020 (prior year: € 278,274k). At the end of June 2020, United Internet employed a total of 9,451 people, of which 1,640 were employed outside Germany. The number of employees at the end of June 2019 amounted to 9,156 people, of which 1,583 were employed outside Germany.

5. Depreciation and amortization

Depreciation and amortization of intangible assets and property, plant and equipment amounted to € 149,123k (prior year: € 147,260k).

Amortization of capitalized intangible assets resulting from business combinations amounted to € 86,010k (prior year: € 91,959k).

In the reporting period of 2020, total depreciation and amortization of intangible assets and property, plant and equipment thus amounted to € 235,133k (prior year: € 239,219k).

m€	Consumer Access segment	Business Access segment
January - June 2020	€m	€m
Segment revenue	1,867.2	241.5
- thereof domestic	1,867.2	241.5
- thereof foreign	0	0
Segment revenue from transactions with other segments	0.7	33.3
Segment revenue from contracts with customers	1,866.5	208.2
- thereof domestic	1,866.5	208.2
- thereof foreign	0	0
EBITDA	331.3	74.9
EBIT	257.9	-25.2
Financial result		
Result from associated companies		
EBT	257.7	-28.7
Income taxes		
Net income		
Investments in intangible assets, property, plant and equipment (without goodwill)	62.10	106.70
Amortization/depreciation	73.4	100.1
- thereof intangible assets, and property, plant and equipment	12.8	91.0
- thereof assets capitalized during company acquisitions	60.6	9.1
Number of employees	3,191	1,177
- thereof domestic	3,191	1,177
- thereof foreign	0	0

January - June 2019		
Segment revenue	1,792.9	234.3
- thereof domestic	1,792.9	234.3
- thereof foreign	0	0
Segment revenue from transactions with other segments	0.8	27.7
Segment revenue from contracts with customers	1,792.1	206.6
- thereof domestic	1,792.1	206.6
- thereof foreign	0	0
EBITDA	340.4	70.1
EBIT	264.7	-28.8
Financial result		
Result from associated companies		
EBT	259.5	-32.7
Income taxes		
Net income		
Investments in intangible assets, property, plant and equipment (without goodwill)	5.2	84.7
Amortization/depreciation	75.7	98.9
- thereof intangible assets, and property, plant and equipment	13.6	89.1
- thereof assets capitalized during company acquisitions	62.2	9.9
Number of employees	3,108	1,150
- thereof domestic	3,108	1,150
- thereof foreign	0	0

	Consumer Applications segment €m	Business Applications segment €m	Corporate segment €m	Reconciliation €m	United Internet Group €m
	119.7	471.6	0.3	-42.4	2,657.9
	117.3	238.4	0.3	-37.3	2,427.4
	2.4	233.2	0	-5.1	230.5
	6.3	2.1	0		42.4
	113.4	469.5	0.3		2,657.9
	111.0	241.5	0.3		2,427.5
	2.4	228.0	0		230.4
	47.0	167.8	-4.0	3.5	620.5
	37.0	117.4	-5.1	3.4	385.4
					-19.6
					9.8
	36.9	71.1	35.2	3.3	375.5
					-113.4
					262.1
	5.00	74.10	11.00		258.9
	10.0	50.4	1.1		235.1
	10.0	34.1	1.1		149.1
	0	16.3	0		86.0
	1,003	3,484	596		9,451
	999	1,848	596		7,811
	4	1,636	0		1,640

	123.8	443.3	0.7	-38.4	2,556.5
	120.2	227.5	0.7	-34.2	2,341.3
	3.6	215.8	0	-4.2	215.2
	7.7	2.2	0	38.4	0
	116.1	441.1	0.7		2,556.5
	112.6	225.3	0.7		2,337.3
	3.5	211.8	0		215.2
	47.3	148.3	23.9		630.0
	39.1	95.2	20.6		390.8
					-17.7
					-43.7
	37.8	39.2	25.5		329.3
					-103.8
					225.5
	2.3	36.3	5.4	-	133.9
	8.1	53.1	3.4	-	239.2
	8.1	33.2	3.3	-	147.3
	0	19.9	0	-	92.0
	976	3,345	577	-	9,156
	972	1,766	577	-	7,573
	4	1,579	0	-	1,583

EXPLANATIONS OF BALANCE SHEET ITEMS

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

6. Shares in associated companies

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

€k	2020
Carrying amount at the beginning of the fiscal year	196,037
Additions	167
Adjustments	
- Shares in result	-4,951
- Impairment reversals	14,717
- Other	-109
Carrying amount as of June 30, 2020	**205,861**

Impairment reversals mainly refer to writeups on shares of Tele Columbus AG due to increases in the share price.

7. Other financial assets

The development of these shares was as follows:

€k	Jan. 01, 2020	Additions	Change in revaluation reserve	Adjustment/Impairment through profit or loss	Disposal	June 30, 2020
Afilias shares	44,622		2,111			46,733
Derivatives	31,450			-14,500		16,950
Other	14,341	379	672		-2,296	13,096
	90,414	**379**	**2,783**	**-14,500**	**-2,296**	**76,779**

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

A total of € 258,956k (prior year: € 133,875k) was invested in property, plant and equipment, as well as intangible assets during the interim reporting period. Investments focused mainly on telecommunication equipment and software. The year-on-year increase also results above all from additions to right-of-use assets from the renting of further business premises at the end of the second quarter.

Goodwill of € 3,609,828k disclosed as of June 30, 2020 includes assets belonging to the Consumer Access segment (€ 2,178,460k), Business Access segment (€ 398,261k), Consumer Applications segment (€ 225,853k), and Business Applications segment (€ 807,254k).

9. Non-current prepaid expenses

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

10. Liabilities due to banks

€k	2020	2019
Bank loans	1,569,008	1,820,425
Less		
Current portion of liabilities due to banks	-243,863	-286,613
Non-current portion of liabilities due to banks	**1,325,145**	**1,533,812**
Short-term loans/overdrafts	243,863	286,613
Current portion of liabilities due to banks	**243,863**	**286,683**
Total	**1,569,008**	**1,820,425**

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

11. Other current financial liabilities

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

12. Other non-current financial liabilities

Non-current financial liabilities consist mainly of payment obligations in connection with the spectrum auction, as well as liabilities resulting from leases.

13. Capital stock / treasury shares

Based on the authorization granted by the Annual Shareholders' Meeting on May 18, 2017 regarding the acquisition and use of treasury shares, and with the approval of the Supervisory Board, the Management Board of United Internet AG resolved on March 12, 2020 to cancel 11,000,000 treasury shares and to reduce the capital stock of United Internet AG by € 11,000,000, from € 205,000,000 to € 194,000,000. The number of shares issued decreased correspondingly by 11,000,000, from 205,000,000 to 194,000,000 shares. Issued shares continue to represent a notional share of capital stock of € 1 each. The cancelation of treasury shares is aimed at raising the percentage stake of United Internet shareholders. On completion of the capital reduction, the Company's capital stock therefore returned to the level prior to the capital increase for the Versatel acquisition in 2014.

In the fiscal year 2020, the Company has bought back 430,624 treasury shares for a total purchase price of € 12,235k.

As of June 30, 2020, the fully paid-in capital stock amounted to € 194,000,000 divided into 194,000,000 registered no-par shares with a theoretical share in the capital stock of € 1 each.

As of the reporting date, United Internet held 6,769,624 treasury shares.

The authorization to acquire and use treasury shares that was granted by the Annual Shareholders' Meeting of May 18, 2017, under agenda item 6 in accordance with section 71 (1) no. 8 AktG expires on September 18, 2020. Accordingly, the Annual Shareholders' Meeting of May 20, 2020 authorized the Management Board from September 19, 2020 to August 31, 2023 in accordance with section 71 (1) no. 8 AktG to acquire treasury shares for every permissible purpose within the scope of legal restrictions and subject to the provisions set out in agenda item 15. This authorization is limited in total to a share of 10% of the capital stock existing at the time the Annual Shareholders' Meeting adopts the resolution or – if this amount is lower – at the time the authorization is exercised.

Authorized capital
The Annual Shareholders' Meeting of May 20, 2020 resolved to cancel Authorized Capital 2015 and to create new Authorized Capital 2020 with the option to exclude subscription rights and to amend the Articles of Association accordingly. As of the balance sheet date, the amendment to the Articles of Association had not yet been registered.

Conditional Capital 2020
The Annual Shareholders' Meeting of May 20, 2020 further resolved to cancel the existing authorization to issue bonds with warrant or conversion rights and the associated Conditional Capital 2015, as well as to grant a new authorization to issue bonds with warrant or conversion rights and to exclude subscription rights for these bonds with warrant or conversion rights and to simultaneously create conditional capital (Conditional Capital 2020), and to amend the Articles of Association accordingly. As of the balance sheet date, the amendment to the Articles of Association had not yet been registered.

Interim dividend
The Annual Shareholders' Meeting of May 20, 2020 resolved to create the option of paying an interim dividend and to amend section 21 of the Articles of Association accordingly. As of the balance sheet date, the amendment to the Articles of Association had not yet been registered.

14. Reserves

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

OTHER ITEMS

15. Employee stock ownership plans

Stock Appreciation Rights (SAR United Internet)

The expense from stock appreciation rights (SAR United Internet) in the first six months of 2020 amounted to € 116k.

Stock Appreciation Rights 1&1 Drillisch (SAR Drillisch)

The expense from stock appreciation rights of 1&1 Drillisch (SAR Drillisch) in the first six months of 2020 amounted to € 754k.

Long Term Incentive Plan Business Applications (LTIP Hosting)

In the first six of months 2020, expenses of € 4,4151k were incurred in connection with LTIP Hosting employee stock ownership plans.

Long Term Incentive Plan 1&1 Versatel (LTIP Versatel)

In the first six of months 2020, expenses of € 305k were incurred in connection with LTIP 1&1 Versatel employee stock ownership plans.

Long Term Incentive Plan Portal (LTIP Portal)

In the first six of months 2020, expenses of € 461k were incurred in connection with LTIP Portal employee stock ownership plans.

16. Additional details on financial instruments

The table on page 55 presents the carrying amounts of each category of the financial assets and liabilities as of June 30, 2020.

The following net results were stated for the individual categories of financial instruments acc. to IFRS 9 in fiscal year 2020:

			Net profits and losses from subsequent measurement			
Net result acc. to measurement categories (€k)	Measurement category acc. to IFRS 9	From interest and dividends	At fair value	Currency translation	Allowance	Net result
Financial assets at amortized cost	ac	75		1,390	-23,639	-32,538
Financial assets at fair value						
- through other comprehensive income	fvoci		2,388			71,069
- through profit or loss	fvtpl		-14,500			-5,100
Financial liabilities at amortized cost	flac	-15,852		593		-20,664
Financial liabilities at fair value						
- through profit or loss	fvtpl		7,031			-1,920
Total		**-15,777**	**-5,081**	**1,983**	**-23,639**	**10,847**

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

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

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

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

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

€k	Measurement category acc. to IFRS 9	Carrying amount as of June 30, 2020	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Measurement acc. to IFRS 16	Fair value as of June 30, 2020
Financial assets							
Cash and cash equivalents	ac	54,573	54,573				47,935
Trade accounts receivable							
- Receivables from finance leases	n/a	61,710				61,710	61,710
- others	ac	300,377	300,377				300,377
Other current financial assets							
- Derivatives	fvtpl	144			144		144
- others	ac	54,620	54,620				54,620
Other non-current financial assets							
At amortized costs	ac	13,096	13,096				13,096
Fair value through other comprehensive income	fvoci	46,733		46,733			46,733
Fair value through profit or loss	fvtpl	16,950			16,950		16,950
Financial liabilities							
Trade accounts payable	flac	-453,350	-453,350				-453,350
Liabilities due to banks	flac	-1,569,008	-1,569,008				-1,569,008
Other financial liabilities							
- Lease liabilities	n/a	-431,529				-431,529	-
- Fair value through profit or loss	fvtpl	-14,090			-14,090		-14,090
- others	flac	-1,126,644	-1,126,644				-1,126,644
Of which aggregated acc. to valuation categories:							
Financial assets at amortized cost	faac	422,666	422,666	0	0	0	422,666
Financial assets at fair value through other comprehensive income without recycling to profit and loss	fvoci	46,733	0	46,733	0	0	46,733
Financial assets at fair value	fvtpl	17,094	0	0	144	0	144
Financial liabilities at amortized cost	flac	-3,149,002	-3,149,002	0	0	0	-3,149,002
Financial liabilities measured at fair value through profit or loss	fvtpl	-14,090	0	0	-14,090	0	-14,090

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

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

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

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at June 30, 2020, and as in the previous year, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

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

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

Fair value hierarchy

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

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

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

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

Assets and liabilities measured at fair value

€k	Level 1	Level 2	Level 3	As of June 30, 2020	Level 1	Level 2	Level 3	As of June 30, 2019
Financial assets at fair value through other comprehensive income without recycling to profit and loss			46,733	46,733	347,935		42,796	390,731
- Listed shares	0			0	347,935			347,935
- Non-listed equity instruments			42,796	46,733			42,796	42,796
Financial assets at fair value through profit or loss		144	16,950	17,094			17,490	17,490
- Derivatives		144	16,950	17,094			17,490	17,490
Financial liabilities measured at fair value through profit or loss			-14,090	-14,090			-12,486	-12,486
- Purchase price obligations			-14,090	-14,090			-12,486	-12,486

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

The following table shows the main non-observable input factors for the fair value measurements categorized in Level 3 of the fair value hierarchy and a quantitative sensitivity analysis as of June 30, 2020:

	Measurement method	Main non-observable input factors	Considered in measurement	Sensitivity of input factor on fair value	
Non-listed share	DCF method	Long-term growth rate of cash flows for subsequent years	0.50%	+0.25% +2.0 Mio. €	-0.25% -1.9 Mio. €
Foreign currency-based derivatives	Black Scholes Modell	Exit date of Warburg Pincus from Business Applications segment	1.5 Jahre	+0.5 Jahre +1.1 Mio. €	-0.5 Jahre -1.6 Mio. €
		Volatility	8.70%	+1% +0.8 Mio. €	-1% -0.8 Mio. €
Earnings-based derivatives	Monte Carlo simulation	Exit date of Warburg Pincus from Business Applications segment	1.5 Jahre	+0.5 Jahre +0.09 Mio. €	-0.5 Jahre -0.6 Mio. €
		Volatility	49.50%	+1% +0.02 Mio. €	-1% -0.03 Mio. €
Conditional purchase price obligation	Monte Carlo simulation	Exit date of Warburg Pincus from Business Applications segment	1.5 Jahre	+0.5 Jahre +0.5 Mio. €	-0.5 Jahre -0.1 Mio. €
		Volatility	49.50%	+1% +0.01 Mio. €	-1% -0.03 Mio. €
Conditional purchase price obligation	Modified multiple	EBITDA growth	5%	+1% +0.1 Mio. €	-1% -0.1 Mio. €

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

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

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

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

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

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

17. Transactions with related parties

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

With the resolution of the Annual Shareholders' Meeting of May 20, 2020 concerning elections to the Supervisory Board and its enlargement from three to six members, the circle of related parties has changed as compared with the reporting date as at December 31, 2019.

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, 2020 is shown in the following table:

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

Supervisory Board	Shares (number)
Kurt Dobitsch	0
Michael Scheeren*	0
Dr. Claudia Borgas-Herold	0
Dr. Manuel Cubero	0
Philipp von Bismarck*	0
Prof. Dr. Yasmin Weiss*	0
Total	**0**

* As of the balance sheet date, the amendment to the Articles of Association had not yet been registered.

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 € 3,609k in the reporting period (prior year: € 4,451k).

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

At the end of the second quarter, United Internet rented further business premises in Karlsruhe from Mr. Ralph Dommermuth. The addition to right-of-use assets amounted to € 73 million.

There were no other significant transactions.

18. Subsequent events

As of the date of preparing these Interim Consolidated Financial Statements, there were no other significant events subsequent to the reporting period which may have resulted in a different representation of the Company's financial position and performance.

Montabaur, August 13, 2020

United Internet AG

Ralph Dommermuth

Frank Krause

INCOME STATEMENT (QUARTERLY DEVELOPMENT)

Quarterly development in € million

	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2019 Q2
Sales	1,298.5	1,339.1	1,329.4	1,328.5	1,280.0
Cost of sales	-861.2	-880.1	-884.9	-890.6	-844.1
Gross profit	437.3	459.0	444.5	437.9	435.9
Selling expenses	-174.5	-185.3	-193.5	-183.3	-187.3
General and administrative expenses	-52.3	-51.2	-50.9	-46.8	-51.0
Other operating expenses / income	10.2	24.9	5.4	12.0	37.8
Impairment losses on receivables and contract assets	-23.9	-24.0	-21.3	-18.6	-25.6
Operating result	**196.8**	**223.4**	**184.2**	**201.2**	**209.7**
Financial result	-6.9	1.4	-4.5	-15.1	-14.0
Result from associated companies	0.0	35.5	-22.0	31.7	4.4
Pre-tax result	**189.9**	**260.3**	**157.8**	**217.8**	**200.1**
Income taxes	-57.8	-79.1	-56.8	-56.6	-50.9
Net income	**132.2**	**181.2**	**100.9**	**161.2**	**149.2**
Attributable to					
- non-controlling interests	29.7	27.6	27.9	35.3	30.5
- shareholders of United Internet AG	102.4	153.8	73.0	125.9	118.7
Result per share of shareholders of United Internet AG (in €)					
- undiluted	0.51	0.78	0.39	0.67	0.60
- diluted	0.51	0.78	0.39	0.67	0.60

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable accounting principles for interim reporting, the Interim Consolidated Financial Statements give, in compliance with generally accepted accounting principles, a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Interim Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remaining fiscal year.

Montabaur, August 13, 2020

The Management Board

Ralph Dommermuth　　　Frank Krause

FINANCIAL CALENDAR

March 26, 2020	Annual financial statements for fiscal year 2019 Press and analyst conference
May 13, 2020	Quarterly Statement Q1 2020
May 20, 20120	(Virtual) Annual Shareholders' Meeting
August 13, 2020	6-Month Report 2020 Press and analyst conference
November 10, 2020	Quarterly Statement Q3 2020

IMPRINT

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August 2020
Registry court: Montabaur HRB 5762

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

For reasons of better readability, the additional use of the female form is omitted in this annual report. United Internet would like to stress that the use of the masculine form is to be understood purely as the gender-neutral form.

This Half-year Financial 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 Half-year Financial 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. Forward-looking statements 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 such forward-looking statements.

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