Annual Financial Statements 2018

MANAGEMENT REPORT FOR THE GROUP AND PARENT COMPANY

ANNUAL FINANCIAL STATEMENTS OF THE PARENT COMPANY ACC. TO HGB

CONTENTS OF THE MANAGEMENT REPORT

Notes:
- Due to calculation processes, tables and references may produce rounding differences from the mathematically exact values (monetary units, percentage statements, etc.).
- These annual financial statements are 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.

MANAGEMENT REPORT FOR THE FISCAL YEAR 2018

1 COMPANY AND GROUP PROFILE

1.1 BUSINESS MODEL

Group structure

Founded on January 1, 1998 and based in Montabaur, Germany, United Internet AG is the **Group parent company** of the United Internet Group.

Together with its service company United Internet Corporate Services GmbH, United Internet AG focuses mainly on centralized functions such as Finance, Corporate Controlling & Accounting, Tax, Investment Management, Press Relations, Investor Relations, Legal, Corporate Governance, Compliance, Risk Management, Corporate Audit, HR Management, Facility Management, Procurement, and Corporate IT.

Compared to the previous year, there were only minor changes in the Group structure as of December 31, 2018.

Operating activities in the **Consumer Access segment** are mainly managed by the companies Drillisch Online GmbH und 1&1 Telecom GmbH – under the umbrella of 1&1 Drillisch AG.

In its **Business Access segment**, United Internet mainly operates via 1&1 Versatel GmbH – held by United Internet Service Holding GmbH.

Operating activities in the **Consumer Applications segment** are primarily managed via the companies 1&1 De-Mail GmbH, 1&1 Mail & Media GmbH and United Internet Media GmbH – pooled together under 1&1 Mail & Media Applications SE.

In its **Business Applications segment**, United Internet is primarily active via Strato AG and its subsidiary Cronon AG – held by the holding companies 1&1 Internet TopCo SE and 1&1 Internet Holding SE – as well as via 1&1 IONOS SE (formerly: 1&1 Internet SE) and its main domestic and foreign subsidiaries. These include – in addition to 1&1's foreign subsidiaries 1&1 IONOS Inc. (USA), 1&1 Internet Ltd. (UK), 1&1 Internet S.A.R.L. (France) and 1&1 Internet España S.L.U. (Spain) – in particular 1&1 IONOS Cloud GmbH, Arsys Internet S.L. (Spain), Fasthosts Internet Ltd. (UK), home.pl S.A. (Poland), InterNetX GmbH, Sedo GmbH, united-domains AG, and World4You Internet Services GmbH (Austria; acquired in 2018).

In addition to these operative and fully consolidated subsidiaries, United Internet AG held a number of other **investments** as of December 31, 2018.

These mainly consist of equity interests – held by United Internet Investments Holding AG & Co. KG (formerly: United Internet Investments Holding GmbH) – in the listed companies Rocket Internet SE, Berlin (9.00%), and Tele Columbus AG, Berlin (28.52%), as well as investments in the strategic partners ePages GmbH, Hamburg (25.01%), Open-Xchange AG, Nuremberg (25.39%), rankingCoach International GmbH, Cologne (30.70%), uberall GmbH, Berlin (29.70%), and virtual minds AG, Freiburg (25.10%). In addition, United Internet holds shares in AWIN AG, Berlin (20.00%), via 1&1 Mail & Media Applications SE – following the contribution of affilinet to AWIN in 2017.

Further details on these investments and changes in investments are provided in section 2.2 "Business development" under "Group investments".

A simplified illustration of the Group structure of United Internet with its significant operating subsidiaries and investments – as of December 31, 2018 – is shown in the following chart.

United Internet AG

- 1&1 Drillisch AG (73.29%)
  - Drillisch Online (100%)
  - 1&1 Telecommunication (100%)
    - 1&1 Telecom (100%)
- United Internet Service Holding GmbH (100%)
  - 1&1 Versatel (100%)
- 1&1 Mail & Media Applications SE (100%)
  - 1&1 De-Mail (100%)
  - 1&1 Mail & Media (100%)
  - United Internet Media (100%)
  - Awin (20%)
- 1&1 Internet TopCo SE (66.67%)
  - 1&1 Internet Holding SE (100%)
    - 1&1 IONOS (100%)
      - 1&1 IONOS USA (100%)
      - 1&1 Internet UK (100%)
      - 1&1 Internet FR (100%)
      - 1&1 Internet ES (100%)
      - 1&1 IONOS Cloud (100%)
      - Arsys (100%)
      - Fasthosts (100%)
      - home.pl (100%)
      - InterNetX (95.56%)
        - Sedo (100%)
      - united-domains (100%)
      - World4You (100%)
    - Strato (100%)
      - Cronon (100%)
- United Internet Investments Holding AG & Co. KG (100%)
  - Rocket Internet (9.00%)
  - Tele Columbus (28.52%)
  - ePages (25.01%)
  - Open-Xchange (25.39%)
  - rankingCoach (30.70%)
  - uberall (28.52%)
  - virtual minds (25.10%)

Business operations

With 23.85 million fee-based customer contracts (prior year: 22.57 million) and 37.00 million ad-financed free accounts (prior year: 35.67 million), United Internet is a leading European internet specialist.

In the course of preparing the consolidated financial statements 2018, the Management Board of United Internet decided to further increase the transparency of reporting and to report in future on 4 segments (previously: 2 reporting segments). In addition to the increase in transparency, the new segmentation also reflects more accurately the corporate structures and responsibilities within the United Internet Group.

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

Access division

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

With a current length of over 47,000 km, United Internet owns one of Germany's largest fiber-optic networks. Moreover, the company – indirectly via 1&1 Drillisch AG, acquired in 2017 – is the only MBA MVNO in Germany with long-term rights to a share of up to 30% of the used network capacity of Telefónica Germany and thus extensive access to one of Germany's largest mobile networks. In addition to its own landline network and privileged access to the Telefónica network, the company also purchases standardized network services from various pre-service providers. These wholesale services are enhanced with end-user devices, self-developed applications and services from the company's own "Internet Factory" in order to differentiate them from the competition.

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

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

Applications division

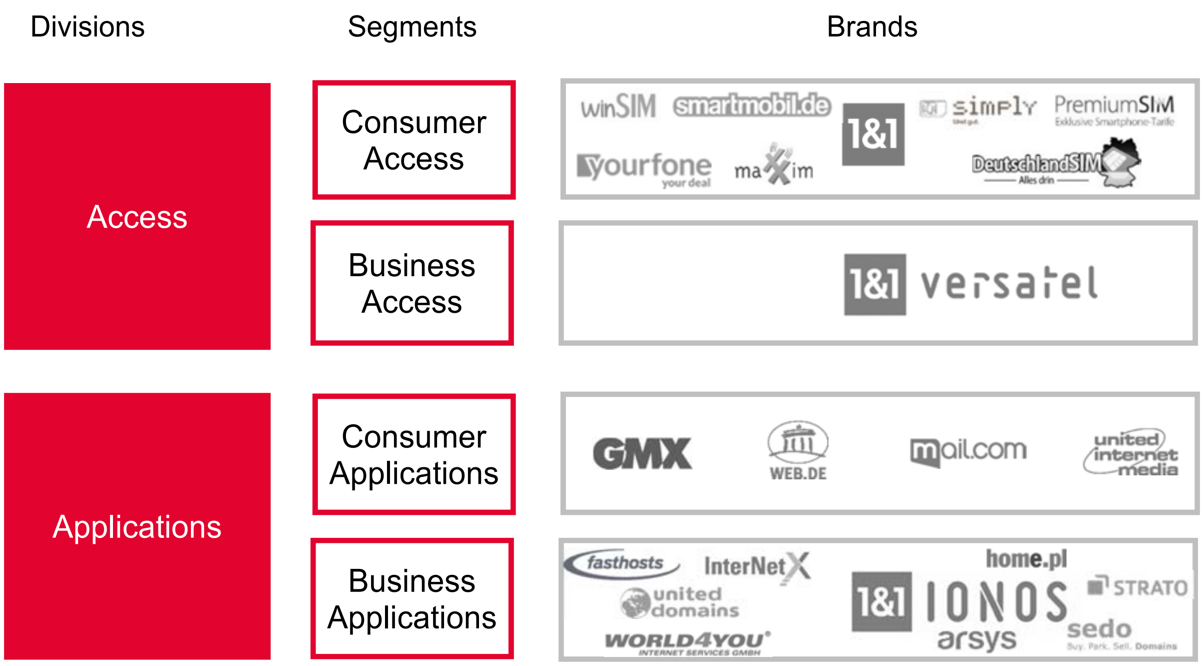
The Applications division, with its two segments Consumer Applications and Business Applications, comprises ad-financed and fee-based application products for consumer and business customers. These applications include domains, home pages, web hosting, servers and e-shops, Personal Information Management 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) and North America (Canada, Mexico and the USA).

Applications are marketed to specific home-user and business-user target groups via the differently positioned brands GMX, mail.com, WEB.DE, 1&1 IONOS, Arsys, Fasthosts, home.pl, InterNetX, Strato, united-domains and World4You. Via the Sedo brand, United Internet also offers customers professional services in the field of active domain management. Free apps are monetized via advertising run by United Internet Media.

Divisions, segments and brands (as of: December 31, 2018):



Management

The **Management Board** of United Internet AG comprised the following 2 to 3 members in fiscal year 2018:

- Ralph Dommermuth, company founder and Chief Executive Officer
  (with the company since 1988)
- Frank Krause, Chief Financial Officer
  (with the company since 2015)
- Jan Oetjen, Management Board member responsible for Consumer Applications – until June 30, 2018
  (with the company since 2008)

Mr. Jan Oetjen stepped down as planned from his position as a member of the Management Board of United Internet AG on June 30, 2018, in order to focus on the development of the Consumer Applications segment as CEO of 1&1 Mail & Media Applications SE.

As in the previous year, the **Supervisory Board** of United Internet AG elected by the Annual Shareholders' Meeting 2015 comprised the following three members in fiscal year 2018:

- Kurt Dobitsch, chair
- Michael Scheeren, deputy chair
- Kai-Uwe Ricke

Main markets and competition

Germany is the most important sales market of the United Internet Group by far and accounts for around 92% of total global sales.

Besides Germany, the Group's most important sales markets are

- the UK,
- the USA,
- Spain,
- France,
- Poland,
- Austria and Switzerland.

Competitive standing in the Consumer Access segment

In its purely domestic Consumer Access segment, United Internet is one of the top three suppliers of broadband products in Germany's broadband market and one of the fastest growing companies in the German mobile communications market with its mobile internet products. Following the merger with Drillisch (now 1&1 Drillisch) in 2017, United Internet is the fourth force in Germany's telecommunications market with landline and mobile products – after Deutsche Telekom, Vodafone and Telefónica Germany.

Competitive standing in the Business Access segment

United Internet is also a leading company its Business Access segment, whose operations are also limited to Germany. With the fiber-optic network of 1&1 Versatel spanning over 47,000 km, United Internet owns one of Germany's largest fiber-optic networks.

Competitive standing in the Consumer Applications segment

In its Consumer Applications segment, United Internet operates in Germany, Switzerland and Austria via the GMX and WEB.DE brands, as well as in countries such as the USA, UK, France and Spain via the international brand mail.com. United Internet is the leading provider of e-mail services and one of the leaders in cloud services in its domestic German market.

Competitive standing in the Business Applications segment

In the globally aligned Business Applications segment, United Internet is active in a total of 12 countries with its hosting and cloud applications. The company has long been the market leader in Germany and strengthened its position in 2017 with the takeover of its competitor Strato. In Europe, United Internet's hosting and cloud applications are now available in all major markets – either locally or from Germany. In addition to the domestic German market, these mainly include the major European economies of France, the UK, Italy, Poland and Spain. With the exception of Italy, the company is among the market leaders in the aforementioned countries. All in all, therefore, United Internet is also one of the leading European suppliers of hosting and cloud applications. Further target markets outside Europe are the North American countries Canada, USA and Mexico. In the most important of these markets, the USA, United Internet is one of the major players in this segment. From a global perspective, United Internet is thus one of the leading companies for hosting and cloud applications – also according to internet analysts such as 451 RESEARCH.

Main locations

As of December 31, 2018, the United Internet Group employed a total of 9,093 people at around 40 domestic and foreign facilities

Main locations (by headcount; > 50 employees)

Location	Segment	Company
Montabaur (HQ)	Corporate functions	United Internet
	Consumer Access	1&1 Telecommunication
Karlsruhe	Corporate functions	United Internet
	Consumer Access	1&1 Telecommunication
	Consumer Applications	1&1 Mail & Media Applications
	Business Applications	1&1 IONOS
Berlin	Consumer Access	1&1 Telecommunication
	Business Access	1&1 Versatel
	Business Applications	1&1 IONOS, Strato
Zweibrücken	Consumer Access	1&1 Telecommunication
	Business Applications	1&1 IONOS
Munich	Consumer Access	1&1 Drillisch
	Consumer Applications	1&1 Mail & Media Applications
Cebu City (Philippines)	Business Applications	1&1 IONOS
Madrid / Logroño (Spain)	Business Applications	1&1 IONOS, Arsys
Stettin (Poland)	Business Applications	home.pl
Flensburg	Business Access	1&1 Versatel
Krefeld	Consumer Access	1&1 Drillisch
Dortmund	Business Access	1&1 Versatel
Gloucester (UK)	Business Applications	1&1 IONOS, Fasthosts
Düsseldorf	Business Access	1&1 Versatel
Maintal	Consumer Access	1&1 Drillisch
Bucharest (Romania)	Business Applications	1&1 IONOS
Stuttgart	Business Access	1&1 Versatel
Chesterbrook / Lenexa (USA)	Business Access	1&1 IONOS
Regensburg	Business Applications	InterNetX
Essen	Business Access	1&1 Versatel
Cologne	Business Applications	Sedo
Starnberg	Business Applications	united-domains

1.2 STRATEGY

United Internet's business model is based predominantly on customer contracts (electronic subscriptions) with fixed monthly amounts and contractually agreed terms. Such a business model ensures stable and plannable revenue and cash flows, protects against macroeconomic effects and provides the financial scope to grasp opportunities in new/extended business fields and new/extended markets – organically or via acquisitions and investments.

The large number of customer relationships also helps the company to utilize so-called economies of scale: the more customers using the products created by our development teams and operated at our own data centers, and/or transport data via our own networks, the greater our profit will be. These profits can then be invested in new customers, new developments and new or extended business fields.

From the current perspective, Cloud Applications and Mobile Internet will be the growth markets over the coming years. With its clear positioning in the Access and Applications segments, United Internet is well placed to exploit the expected market potential.

In view of the dynamic market development of Cloud Applications and Mobile Internet, the company's growth opportunities are clearly apparent: universally accessible, increasingly powerful broadband connections are enabling new and more sophisticated cloud applications. These internet-based programs for private users and companies will also be United Internet's growth drivers in the years ahead – both as stand-alone products in the Applications division as well as in combination with landline and mobile access products in the Access division.

With its many years of experience as an access and application provider, its expertise in software development and data center operation, marketing, sales and customer support, as well as its strong and well-known brands (such as 1&1, GMX and WEB.DE), and customer relationships with millions of private users, freelancers and small companies in Germany and abroad (currently around 61 million user accounts world-wide), the company is excellently positioned.

In order to leverage this positioning for further sustainable growth, United Internet will also invest heavily in new customers, new products and new or extended business fields in future, as well as in its further internationalization.

In addition to organic growth, United Internet also continuously seeks possibilities for company acquisitions, investments and cooperations, in order to extend its market positions, and competencies.

Thanks to its high and plannable level of free cash flow, United Internet has a strong source of internal funding as well as good access to debt financing markets. Further information on the company's equity strength and external financing is presented in section 2.2 Business Development and 2.3 Position of the Group.

Further information on strategy, opportunities and targets is included in the "Risk, Opportunity and Forecast Report" in section 4.

1.3 CONTROL SYSTEMS

The internal control systems help management steer and monitor the Group and its segments. The systems consist of planning, actual situation and forecast calculations based on the Group's annually revised strategic planning. Particular attention is paid to market developments, technological developments and trends, as well as their impact on the Group's own products and services, and the Group's financial possibilities. The corporate control system's aim is the continuous and sustainable development of United Internet and its subsidiaries.

The Group's reporting system comprises the monthly profit calculations and quarterly IFRS-compliant reports for all consolidated subsidiaries. It presents the financial position and performance of the Group and all divisions. Financial reporting also includes other detailed information which is required for the assessment and control of operating business.

The key performance indicators of the United Internet Group for chief corporate management are presented in "Segment reporting" under point 5 of the Notes to the Consolidated Financial Statements.

Quarterly reports on significant risks for the company represent a further component of the control systems.

The above mentioned reports are discussed at meetings of the Management Board and Supervisory Board and provide the fundamental basis for assessments and decisions.

In order to control the Group's performance, United Internet AG uses in particular the key figures of the income statement (sales, EBITDA, EBIT, EPS), of the statement of cash flows (free cash flow) and of the statement of financial position (asset items, financial liabilities). The company also employs non-financial key figures, in particular the number and growth of fee-based customer contracts, as well as ad-financed free accounts. The use and definition of the relevant key financial figures is shown in section 2.2.

The key performance indicators (KPIs) are sales and EBITDA. These figures are also used in forecast reporting.

A comparison of the KPIs stated in the forecast and the actual figures is provided in this Management Report in 2.2 "Business Development" in the section "Actual and Forecast Development" as well as in 2.3 "Position of the Group".

The number of customer contracts, the gross and net sales figures and the related customer acquisition costs in particular – compared to the company's plans and forecast calculations – serve as an early warning system.

1.4 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. Against this backdrop, United Internet does not disclose key figures for R&D.

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

Thanks to its high-performance development teams, United Internet is able to react fast and flexibly to new ideas and trends and continuously enhance its established products, adapting them to changing market needs – a key success factor in the fast-moving internet market. The company's expertise in product development, enhancement and roll-out minimizes its reliance on third party development work and supplies in many areas and thus ensures decisive competitive and time-to-market advantages.

At United Internet's own development centers (especially in Karlsruhe, Berlin and Bucharest), over 3,000 developers, product managers and technical administrators (corresponding to around 33% of all employees) use mainly open source code in clearly defined and modeled development environments. Third-party programming services are also used to swiftly and efficiently implement specific projects. This enables the company to quickly change existing products and adapt them to changing customer needs. United Internet also procures solutions from partners, which are then modified according to needs and integrated into its systems. With the aid of its self-developed applications, United Internet has a set of modules which can be easily combined and provided with product-specific or country-specific user interfaces in order to create a variety of powerful and integrated applications – a huge benefit when tailoring products to varying target groups or for international rollouts.

Due to the steady growth in customer figures, the demands placed on reliability and availability are constantly rising. In addition to the further development of existing products and continuous optimization of back-end operations, the company also focuses on continuously enhancing existing processes in order to raise system reliability and thus also customer satisfaction.

Focus areas 2018

Consumer Access

Launch of VDSL 250

In 2018, the broadband portfolio of the Consumer Access segment was expanded with the addition of a further speed category. Super vectoring technology allows speeds of up to 250 Mbit/s in Deutsche Telekom's VDSL network infrastructure or via the 1&1 Versatel network. Likewise, 1&1 Drillisch is now in a position to reach this speed in the Open Access model via its cooperation with regional city carriers M-Net, Wilhelm.tel, R-Kom and Com-IN. Further partners are to be integrated shortly.

These constantly new expansion areas are offered to new and existing customers as soon as they have been activated. In order to be able to offer the new speed category, the router portfolio was expanded and made 250 Mbit/s-compatible with the Fritzbox 7590 and 7530 from technology partner AVM.

1&1 Digital TV

Together with 1&1 Versatel and IPTV specialist Zattoo as the technical service provider, 1&1 continued to develop 1&1 Digital TV in the fiscal year 2018. Further investments were made in the stability and quality of the platform in order to optimize this product for the future.

1&1 Digital TV offers users the opportunity to receive television via the 1&1 broadband network. It can be used either via the 1&1 TV Box or via WiFi on a tablet or smartphone (Android/iOS). Native apps are also available for Fire TV and Apple TV. 1&1 Digital TV can be booked as a fee-based option for all VDSL connections. The basic package offers up to 3 TV streams that can be used simultaneously and contains around 90 free-to-air channels. Public broadcasters are already included in HD. On request, HD-TV can be booked for all private channels. A wide range of genre- and country-specific TV packages are also available.

1&1 Digital TV is the first completely cloud-based TV offering of a landline provider in the German market. Convenient features, such as recording, pause, instant restart and catch-up, are completely implemented in the cloud. This makes it possible to program recordings at home or on the go using a smartphone. The recordings are then stored in a personal cloud and can be accessed within the private home network. In addition to cloud-based services such as recording, pause and instant restart, 1&1 Digital TV can also be used on multiple devices.

Business Access

Development of a new SD-WAN platform

Wide Area Networks (WAN) are a business-critical component of contemporary enterprise infrastructures. Customer requirements for the network connections of their locations can differ greatly, regardless of which networking concept they use.

Expanding WAN capacity can be complex and expensive. SD WAN (Software Defined Wide Area Network) products have proven to be a successful way of improving application performance, reducing WAN costs and strengthening business continuity.

The growing digitalization of corporate clients places high demands on the speed and flexibility of networking. More and more companies are now centralizing their IT services and accessing shared resources. This trend is being accelerated by cloud services which are being increasingly used by companies.

SD-WAN is an innovative production platform that 1&1 Versatel can use to offer new products. These products require an MPLS and IP backbone, but use this to form a logical overlay network with new features (e.g. virtualization) using new CPEs and encryption.

SD WAN products offer solutions that can be located remotely or in branch offices, larger offices, enterprise data centers, and increasingly on cloud platforms. SD-WAN enables routing that recognizes the data streams of individual applications. For example, it is advantageous to use high-quality connections for voice transmissions and systems that require a short runtime of the data packets. Applications for which this is not important can be run via simpler internet connections.

UCAAS and Virtual PBX

The UCaaS business products (Unified Communication as a Service) provide corporate clients with a modular and individually usable communication solution with local and central TC and UC functionalities.

Due to the successful cooperation in various projects in the past, 1&1 Versatel has entered into a strategic sales partnership agreement with effexx Telekommunikation GmbH. Both companies benefit from their complementary strengths: 1&1 Versatel can combine its data and voice connections with UC services and effexx handles all services for the products and solutions of the manufacturer Innovaphone.

The solutions offered provide the technological basis for a unique migration strategy in the final phase of ISDN migration. IP phones and UC functions can be introduced and used in parallel to the existing ISDN phone system. This makes extensions possible, or devices of the existing phone system can be gradually replaced by IP phones. Customer phone number blocks can also be combined via the different technologies.

The 1&1 Versatel UCaaS business products also comprise a Virtual PBX with SIP PBX functionality in the cloud. Business clients can use their landline numbers worldwide via encrypted internet access. The VPBX business model also enables multi-tenant concepts for resellers. As the general contractor, 1&1 Versatel is the contractual partner for the client and thus ensures “one face to the customer”.

Consumer Applications

Launch of netID

In 2018, the Log-In Alliance became the European netID Foundation (EnID) with its single sign-on product netID, a European alternative to the major US corporations. The product enables users to access all internet offerings of the netID partners using the same log-in data. EnID supports the implementation of European data protection law by allowing users to organize their consent to the use of online services via a privacy center which guarantees transparency and compliance with data privacy regulations. At the time of the official launch in November 2018, more than 35 million internet users were able to log in directly on netID partner sites using their existing WEB.DE, GMX and 7Pass accounts. Over 60 online offerings – from the field of information, entertainment and e-commerce – can currently be used with the netID log-in. These include various channel portals of ProSiebenSat.1, but also the Calida Group and the online portal of Süddeutsche Zeitung.

Via its subsidiary 1&1 Mail & Media GmbH, United Internet assumes the role of netID account provider within the netID system. The existing user management infrastructure of WEB.DE / GMX has been connected to netID.

As the technical service provider, 1&1 Mail & Media develops and operates the core components of the netID platform:

- Broker: The central intermediary that links users and account providers within the federal structure on the basis of established standard protocols.
- Permission center: The system for the storage and administration of user consents and revocations in compliance with data privacy regulations.
- Neutral instance: A multi-tenant-capable white label solution for netID account providers without their own infrastructure for user authentication.
- Developer portal: A website for netID users to manage their access data themselves. They also receive support with the integration of netID APIs into their system environment.

In addition, the central Big Data platform was further expanded and is also used as an analytics backend for netID. It enables the consolidation of events from various sources in order to generate real-time metrics and reports at any level of granularity.

New responsive search for GMX and WEB.DE

The heavily frequented portal search function (around 240 million visits per year) was completely revamped in the fiscal year 2018 under the motto “Mobile First”. With its high level of responsiveness, it is now more user-friendly – especially for mobile users.

The new search function was implemented with white label capability so that other brands and designs can be rolled out in addition to the GMX and WEB.DE brands with identical code bases. In order to react quickly to new customer wishes, new features are constantly being made available. The JavaScript framework Angular is used at the front-end of the search application.

In order to further optimize performance for the customer, a pre-rendering was implemented that greets the customer with a rendered page at the beginning of the visit. Moreover, the search application was equipped with Sentry.io as an analysis tool for errors in the customer’s browser. This makes it possible to react even faster and, above all, more consciously to errors in the future in order to guarantee the customer a consistent and flawless search experience over the long term.

Business Applications

Bare Metal Server (dedicated hardware on demand)

With the aim of bringing more flexibility to the previously rather rigid world of dedicated servers, 1&1 IONOS has developed its Bare Metal Server product on the basis of its own cloud platform. This enables customers to operate their dedicated servers on demand. The flexible CDR-based accounting system of the cloud server platform is used for this purpose. As the tariff and network aspects of the product are operated within the existing cloud server platform, many cloud services available there – such as shared storage or load balancers – can also be used with dedicated servers.

In addition, by combining the two types of server infrastructure, customers can operate them in a hybrid system. In this way, customers have the best of both worlds and can professionalize their applications.

The new and modern technical platform has enabled 1&1 IONOS to reduce the provisioning time of dedicated servers from 1-2 hours to less than 10 minutes. This system also makes it possible to integrate significantly more product variants and offer them even faster in the future – while at the same time reducing implementation and operating costs.

Two-factor authentication for best-possible security of customer accounts

Since May 2018, 1&1 IONOS customers have been able to additionally secure their customer account and thus protect it effectively and easily against misuse. In addition to the user’s log-in data, a six-digit code is requested which is displayed to the user via a so-called authenticator app. In order to implement two-factor authentication for its customers, 1&1 IONOS uses the Time-based One-time Password (TOTP) procedure – a global standard of the Internet Engineering Task Force (IETF), an organization dedicated to the technical development and improvement of the internet and how it works.

All customers need to set up two-factor authentication is a freely available authenticator app on their smartphone or tablet that scans a QR code displayed in the Control Center. After subsequent confirmation, two-factor authentication is activated for the relevant customer account.

From this point on, 1&1 IONOS customers will be asked for the six-digit code displayed by the app – in addition to their access data – each time they log in. Log-in is only possible if the access data and code match. This makes it impossible for potential attackers who have obtained access data from a 1&1 IONOS customer to log in to the respective customer account.

2 ECONOMIC REPORT

2.1 GENERAL ECONOMIC AND SECTOR CONDITIONS

General economic development

The International Monetary Fund (IMF) already downgraded its forecasts for the global economy during 2018. In the latest update to its "World Economic Outlook" on January 21, 2019, the Fund calculated preliminary growth for the **global economy** of 3.7% in 2018. This was on a par with the previous year (3.7%) and also 0.2 percentage points below the IMF's outlook in January 2018 (3.9%).

The Fund attributed this weaker-than-expected global economic trend to unresolved global trade conflicts, the threat of an unregulated Brexit, and weakening growth in China.

From the point of view of United Internet, the economies of its current target markets all performed worse than originally expected (apart from the USA and Spain). With the exception of the USA and Mexico, the pace of economic growth in United Internet's target markets was also slower than in the previous year

With growth of 2.9% in 2018, the **US economy** improved strongly over the previous year (2.3%) and also exceeded the IMF forecast issued at the beginning of the year (outlook January 2018: 2.7%). Economic growth of 2.1% in **Canada** was well below the prior-year figure (3.0%) and also failed to reach the IMF's original expectations (2.3%). **Mexico's** growth rate of 2.1% was slightly up on the previous year (2.0%) but still below the original forecast (2.3%).

At 1.8%, economic growth in the **eurozone** fell well short of the prior-year figure (2.4%) and also short of the IMF's original expectations (2.2%).

In **France**, the 1.5% increase in economic output was well below the prior-year level (1.8%) and original expectations (1.9%). With economic growth of 2.5%, **Spain** was down on its prior-year rate (3.1%) but still slightly above expectations (2.4%). **Italy** achieved growth of 1.0% and thus lay well below the prior-year figure (1.6%) and the original expectations of the IMF (1.4%).

With growth of 1.4%, the economic trend in the non-euro country **UK** was down on the previous year (1.7%) and also below the IMF's original expectations (1.5%).

The IMF calculated economic growth of just 1.5% for **Germany**, United Internet's most important market (sales share 2018: around 92%), for 2018. This is 1.0 percentage point less than in the previous year (2.5%) and 0.8 percentage points below the IMF's original expectations (2.3%). The IMF's calculations for Germany are line with the preliminary figures of the country's Federal Statistics Office (Destatis), which also calculated growth (after price and calendar adjustments) in gross domestic product (GDP) of 1.5% (prior year: 2.5%). This growth was again driven in particular by consumer spending (+1.0%), as well as public sector spending (+1.1%). However, these growth rates were much weaker than in the previous years (prior year: 1.8% and 1.6%, respectively).

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

	January forecast	April forecast	July forecast	October forecast	Actual 2018	Change on January forecast
World	3.9%	3.9%	3.9%	3.7%	3.7%	- 0.2 %-points
USA	2.7%	2.9%	2.9%	2.9%	2.9%	+ 0.2 %-points
Canada	2.3%	2.1%	2.1%	2.1%	2.1%	- 0.2 %-points
Mexico	2.3%	2.3%	2.3%	2.2%	2.1%	- 0.2 %-points
Eurozone	2.2%	2.4%	2.2%	2.0%	1.8%	- 0.4 %-points
France	1.9%	2.1%	1.8%	1.6%	1.5%	- 0.4 %-points
Spain	2.4%	2.8%	2.8%	2.7%	2.5%	+ 0.1 %-points
Italy	1.4%	1.5%	1.2%	1.2%	1.0%	- 0.4 %-points
UK	1.5%	1.6%	1.4%	1.4%	1.4%	- 0.1 %-points
Germany	2.3%	2.5%	2.2%	1.9%	1.5%	- 0.8 %-points

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

Multi-period overview: GDP trend in United Internet's key target countries and regions

	2014	2015	2016	2017	2018	YoY change
World	3.4%	3.2%	3.2%	3.7%	3.7%	+/- 0.0 %-points
USA	2.4%	2.6%	1.5%	2.3%	2.9%	+ 0.6 %-points
Canada	2.5%	0.9%	1.4%	3.0%	2.1%	- 0.9 %-points
Mexico	2.3%	2.6%	2.9%	2.0%	2.1%	+ 0.1 %-points
Eurozone	0.9%	2.0%	1.8%	2.4%	1.8%	- 0.6 %-points
France	0.2%	1.3%	1.2%	1.8%	1.5%	- 0.3 %-points
Spain	1.4%	3.2%	3.3%	3.1%	2.5%	- 0.6 %-points
Italy	- 0.4%	0.7%	0.9%	1.6%	1.0%	- 0.6 %-points
UK	2.9%	2.2%	1.9%	1.7%	1.4%	- 0.3 %-points
Germany	1.6%	1.5%	1.9%	2.5%	1.5%	- 1.0 %-points

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

Multi-period overview: development of price- and calendar-adjusted GDP in Germany

	2014	2015	2016	2017	2018	YoY change
GDP	1.9%	1.5%	1.9%	2.5%	1.5%	- 1.0 %-points

Source: German Federal Statistical Office, January 2019

Development of sector / core markets

At its annual press conference on January 10, 2019, the industry association Bitkom calculated that the **ICT market in Germany** grew by 2.0% to € 166.0 billion in 2018. The association had forecast growth of 1.7% at the beginning of 2018.

With sales of € 89.9 billion and growth of 3.1%, the **IT sector** continued to display the strongest growth and also the largest market volume. Vendors of software (+6.3%), IT services (+2.3%), and IT hardware (+1.5%) once again posted the strongest growth in 2018.

The **telecommunications market** returned to growth again with an increase of 1.6% to € 66.6 billion. There were increases in sales of user devices (+5.9%), telecommunication infrastructure (+1.3%), and telecommunication services (+0.7%).

Following growth in the previous year, the consumer electronics market declined strongly again with a decrease in sales of 5.0% to € 9.5 billion.

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

(Stationary) broadband market in Germany

In view of the high level of household coverage already achieved and the strong trend toward mobile internet usage, demand for new landline broadband connections in Germany has slowed since 2008. With expected growth of 1.1 million, or 3.3%, to 34.3 million in 2018, the number of new connections was again well below earlier record years. These figures were calculated by the Association of Telecommunications and Value-Added Service Providers (Verband der Anbieter von Telekommunikations- und Mehrwertdiensten – VATM) and Dialog Consult in their joint "20th TC Market Analysis for Germany 2018" (October 9, 2018). Within the above mentioned growth, the connections of relevance for United Internet in the two technology fields of DSL and FTTB / FTTH grew by 0.5 million to 25.2 million and by 0.2 million to 1.0 million. The number of cable connections rose by 0.4 million to 8.1 million. A further 0.1 million connections in Germany are still operated via satellite / powerline.

At € 32.8 billion, revenues generated in United Internet's landline business remained constant compared with the previous year. In addition to retail sales, the above revenue figures also include wholesale, interconnection and terminal device revenues.

In the latest survey of its study "German Entertainment and Media Outlook 2017-2021" (October 2017), PricewaterhouseCoopers (PWC) forecasts that purely retail sales of landline broadband connections will rise in total by 1.1% to around € 8.15 billion in 2018.

According to calculations of Dialog Consult / VATM, the average volume of data used is rising much more strongly than the number of newly activated connections and sales of broadband connections – as an indicator of continued growth in usage of e.g. IPTV and cloud applications – with growth of 8.2% to 90.0 GB (per connection and month). As a result, demand for more powerful broadband connections also developed strongly. For example, the proportion of switched broadband connections with speeds of at least 50 MBits/s increased by 4.9 percentage points, from 28.3% in the previous year to 33.2% in 2018.

Key market figures: broadband access (landline) in Germany

	2018	2017	Change
Broadband revenues (in € billion)	8.15	8.06	+ 1.1%

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

Mobile internet market in Germany

According to estimates of Dialog Consult / VATM, the number of active SIM cards in the German mobile communications market increased only slightly by 0.6 million, or 0.5%, to 132.9 million in 2018.

Mobile revenues also increased slightly by 0.4% to € 26.6 billion. Sales of user devices and content fell by 13.5% to € 3.2 billion, while voice and connection revenues declined by 3.1% to € 9.3 billion. By contrast, sales of data services (including SMS) increased by 6.8% to € 14.1 billion. The revenue share of data services therefore grew by 3.3 percentage points to 53.0% (prior year: 49.8%). The aforementioned revenue figures also include – in addition to retail sales – interconnection, wholesale and user device sales.

According to the latest calculations of PricewaterhouseCoopers, purely retail sales of mobile data services – the main market for United Internet – grew by 5.8% to € 8.22 billion in 2018 and thus caught up with retail revenues in the landline segment.

According to forecasts of Dialog Consult / VATM, the average volume of data used (per connection and month) – as an indicator of the growing use of mobile data services – rose even more strongly in the same period by 83.9% to 1.6 GB.

Key market figures: mobile internet access (cellular) in Germany

	2018	2017	Change
Mobile internet revenues (in € billion)	8.22	7.77	+ 5.8%

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

Global cloud computing market

There was also further dynamic growth in the cloud computing market in 2018. In an update of its study “Forecast Analysis: Public Cloud Services, Worldwide” (November 2018), Gartner Inc. forecast global growth for public cloud services of 18.6% in 2018, from $ 167.1 billion to $ 198.2 billion.

Cloud computing is no short-term trend, but represents a fundamental shift in the provision and use of IT services. The aforementioned figures indicate the dynamic potential of this market. IT users get better services for less money with cloud computing. Small and mid-size companies in particular can gain access to IT applications which only major corporations could afford in the past.

Key market figures: cloud computing worldwide
(in $ billion)

	2018	2017	Change
Global sales of public cloud services	198.2	167.1	+ 18.6%
thereof System Infrastructure Services (IaaS)	32.5	25.3	+ 28.5%
thereof Application Infrastructure Services (PaaS)	16.8	13.6	+ 23.5%
thereof Application Services (SaaS)	87.2	72.0	+ 21.1%
thereof Management and Security Services	11.5	9.7	+ 18.6%
thereof Business Process Services (BPaaS)	50.2	46.6	+ 7.7%

Source: Gartner, November 2018

German online advertising market

In its study "German Entertainment and Media Outlook 2018-2022" (October 2018), PricewaterhouseCoopers forecasts an increase in (net) revenues of the German online advertising market of 7.3% to around € 7.95 billion in 2018.

With growth of 26.8%, mobile online advertising posted the strongest increase – due in particular to the further sharp rise in the use of mobile devices. However, video advertising and search word marketing also rose strongly once again, with growth of 6.9% and 6.4%, respectively.

Key market figures: online advertising in Germany
(in € billion)

	2018	2017	Change
Online advertising revenues	7.95	7.41	+ 7.3%
thereof search marketing	3.66	3.44	+ 6.4%
thereof display advertising	1.62	1.57	+ 3.2%
thereof mobile online advertising	1.04	0.82	+ 26.8%
thereof affiliate / classifieds	1.01	1.00	+ 1.0%
thereof video advertising	0.62	0.58	+ 6.9%

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

Legal conditions / significant events

The legal parameters for United Internet's business activities remained largely unchanged from the previous year in 2018 and thus had no significant influence on the development of the United Internet Group.

There were also no significant events in fiscal 2018 which had a material effect on the development of business.

2.2 BUSINESS DEVELOPMENT

Initial application of IFRS 15

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

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

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

- Whereas under the previous regulations, revenue from sales of hardware (e.g. cellphones) as part of a multiple-element arrangement (e.g. mobile contract and cellphone) was only recognized in the amount billed to the customer, IFRS 15 requires a separation of the total price for the customer contract based on the relative standalone selling prices of the individual elements. The resulting revenue share allocated to hardware is recognized in total on delivery to the customer. As the allocated revenue share generally exceeds the amount charged to the customer in the first month, the new regulations lead to accelerated revenue recognition and the corresponding recognition of a contract asset.

- Moreover, IFRS 15 requires the capitalization of contract costs. Provided that certain conditions are met, the costs of contract acquisition (e.g. sales commissions) and the costs of contract fulfillment (e.g. customer activation fees) must be capitalized and amortized over the estimated period of use.

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

Use and definition of relevant financial performance measures

In order to ensure the clear and transparent presentation of United Internet's business trend, the Group's annual financial statements and interim financial statements include key financial performance measures – 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.

United Internet defines these measures as follows:

- EBIT: Earnings before interest and taxes represents the operating result disclosed in the statement of comprehensive income.
- EBIT margin: Presents the ratio of EBIT to sales.
- EBITDA: Earnings before interest, taxes, depreciation and amortization are calculated as EBIT / operating result plus the depreciation and amortization (disclosed in the consolidated financial statements) of intangible assets and property, plant and equipment, as well as assets capitalized in the course of company acquisitions.
- EBITDA margin: Presents the ratio of EBITDA to sales.
- Free cash flow: Calculated as cash flow from operating activities (disclosed in the consolidated financial statement), less capital expenditure for intangible assets and property, plant and equipment, plus payments from the disposal of intangible assets and property, plant and equipment.

Insofar as necessary for a clear and transparent presentation, these indicators are adjusted for special items. Such special items usually refer solely to those effects capable of restricting the validity of the key financial performance measures with regard to the Group'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. One-off amounts in the fiscal year 2018 were not adjusted but are disclosed in the respective sections.

Currency-adjusted sales and earnings figures are calculated by converting sales and earnings figures with the average exchange rates of the comparative period instead of the current period.

Actual and forecast development 2018

United Internet AG maintained its growth trajectory in fiscal year 2018. The company raised the number of customer contracts, improved its sales and earnings figures once again, and reached its forecasts.

Forecast development

United Internet published its guidance for the fiscal year 2018 in its annual financial statements 2017 as follows.

	Actual Fiscal year 2017 (IAS 18)	Forecast fiscal year 2018 (IFRS 15)
Sales	€ 4.206 billion	+ approx. € 5.2 billion
EBITDA	€ 0.980 billion(1)	+ approx. € 1.2 billion

(1) Fiscal year 2017 without extraordinary income from the revaluation of Drillisch shares (EBITDA effect: € +303.0 million) and the revaluation of ProfitBricks shares (EBITDA effect: € +16.1 million) as well as without M&A transaction costs (EBITDA effect: € -17.1 million) and without restructuring charges in offline sales (EBITDA effect: € -28.3 million)

Actual development

United Internet continued to invest heavily in new customer relationships in fiscal year 2018 and succeeded in raising the number of fee-based customer contracts by 1.28 million in total – of which 1.03 million from organic growth and 250,000 from the takeover of World4You. A total of 310,000 contracts were added in the company's Applications business and 970,000 contracts (900,000 mobile internet and 70,000 broadband connections) in its Access business.

In fiscal year 2018, consolidated sales (acc. to IFRS 15) rose by 22.0%, from € 4.206 billion (acc. to IAS 18) to € 5.131 billion and were thus within the target range of the forecast (approx. € 5.2 billion).

Whereas EBITDA in the fiscal year 2018 was not influenced by special items, the EBITDA result of the previous year was shaped by a net positive extraordinary result of € 273.7 million. This resulted from one-off, non-cash-effective, extraordinary income from the revaluation of Drillisch shares acquired before the complete transaction was closed amounting to € 303.0 million and from the revaluation of ProfitBricks shares already held before the takeover amounting to € 16.1 million, as well as – with an opposing effect – M&A transaction costs of € 17.1 million for the aforementioned transactions and restructuring charges in offline sales of Drillisch amounting to € 28.3 million.

Consolidated EBITDA (acc. to IFRS 15) increased by 22.6% in fiscal year 2018, from € 0.980 billion (comparable prior-year figure acc. to IAS 18 without the aforementioned special items) to € 1.201 billion and was thus in the anticipated target range (approx. € 1.2 billion).

Summary: actual and forecast development of business in 2018

	Actual Fiscal year 2017 (IAS 18)	Forecast Fiscal year 2018 (IFRS 15)	Actual Fiscal year 2018 (IFRS 15)
Sales	€ 4.206 billion	approx. € 5.2 billion	€ 5.131 billion
EBITDA	€ 0.980 billion(1)	approx. € 1.2 billion	€ 1.201 billion

(1) Fiscal year 2017 without extraordinary income from the revaluation of Drillisch shares (EBITDA effect: € +303.0 million) and the revaluation of ProfitBricks shares (EBITDA effect: € +16.1 million) as well as without M&A transaction costs (EBITDA effect: € -17.1 million) and without restructuring charges in offline sales (EBITDA effect: € -28.3 million)

Development of divisions and segments

In the course of preparing the consolidated financial statements for the fiscal year 2018, the Management Board of United Internet decided to further increase the transparency of reporting and in future to report on 4 segments (previously: 2 reporting segments). In addition to increased transparency, the new segment reporting also more strongly reflects the corporate structures and responsibilities within the United Internet Group.

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

As part of the new segmentation, the company's Management Board also decided to make two adjustments at the level of contract inventories.

- On the one hand, around 70,000 broadband connections from phased-out old businesses were removed from the Consumer Access inventory and will no longer be reported. The comparative figures for previous periods have been adjusted accordingly, so that the adjustment has no effect on the net change in the number of contracts within the comparative periods.

- On the other hand, around 260,000 Applications contracts were transferred from the Business Applications contract inventory to the Consumer Applications contract inventory, as the majority of these contracts are consumer products that are also managed by the companies responsible for the Consumer Applications business. The comparative figures for previous periods have been adjusted accordingly, so that the transfer has no effect on the net change in the number of contracts within the comparative periods.

Access division

The Access division, with its two segments Consumer Access and Business Access, comprises United Internet’s fee-based access products for its consumer and business customers. In its 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 in the business segment these include data and network solutions for SMEs, as well as infrastructure services for large corporations.

With a current length of over 47,000 km, United Internet owns one of Germany’s largest fiber-optic networks. Moreover, the company – indirectly via 1&1 Drillisch AG acquired in 2017 – is the only MBA MVNO in Germany with long-term rights to a share of up to 30% of the used network capacity of Telefónica Germany and thus extensive access to one of Germany’s largest mobile networks. In addition to its own landline network and privileged access to the Telefónica network, the company also purchases standardized network services from various pre-service providers. These wholesale services are enhanced with end-user devices, self-developed applications and services from the company’s own “Internet Factory” in order to differentiate them from the competition.

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

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

Consumer Access segment

In 2018, the Consumer Access segment focused on integration measures in connection with the merger of Drillisch AG (acquired in 2017, now 1&1 Drillisch AG) with 1&1 Telecommunication SE.

Significant progress was made in staffing the management teams, in merging the previously separate operating structures, in brand management and the brand portfolio, as well as in existing customer marketing and retention processes.

In addition to these integration measures, the segment also focused on adding further valuable broadband and mobile internet contracts. In particular, the aim is to drive growth with coordinated brand management and customer targeting in the mobile internet business as well as with the increased use of smartphones to attract new customers and retain existing customers (no or only small one-off customer payment for new contracts and refinancing via higher tariff prices over the contractual term).

With the aid of the above mentioned measures, the number of **fee-based contracts** in the Consumer Access segment rose by 970,000 contracts to 13.54 million(1) in the fiscal year 2018. A total of 900,000 customer contracts were added in the Mobile Internet business, thus raising the total number of contracts to 9.20 million. The number of broadband connections rose by 70,000 contracts to 4.34 million(1).

Development of Consumer Access contracts in fiscal year 2018
(in million)

	Dec. 31, 2018	Dec. 31, 2017	Change
Consumer Access, total contracts(1)	13.54	12.57	+ 0.97
thereof Mobile Internet	9.20	8.30	+ 0.90
thereof broadband connections(1)	4.34	4.27	+ 0.07

(1) After an inventory adjustment as of December 31, 2018 by 0.07 million broadband connections from phased-out businesses; the comparative figures for the previous period have been restated accordingly so that the adjustment has no impact on the net change

Development of Consumer Access contracts in the 4th quarter of 2018
(in million)

	Dec. 31, 2018	Sept. 30, 2018	Change
Consumer Access, total contracts(1)	13.54	13.26	+ 0.28
thereof Mobile Internet	9.20	8.93	+ 0.27
thereof broadband connections(1)	4.34	4.33	+ 0.01

(1) After an inventory adjustment as of December 31, 2018 by 0.07 million broadband connections from two phased-out businesses;
the comparative figures for the previous period have been restated accordingly so that the adjustment has no impact on the net change

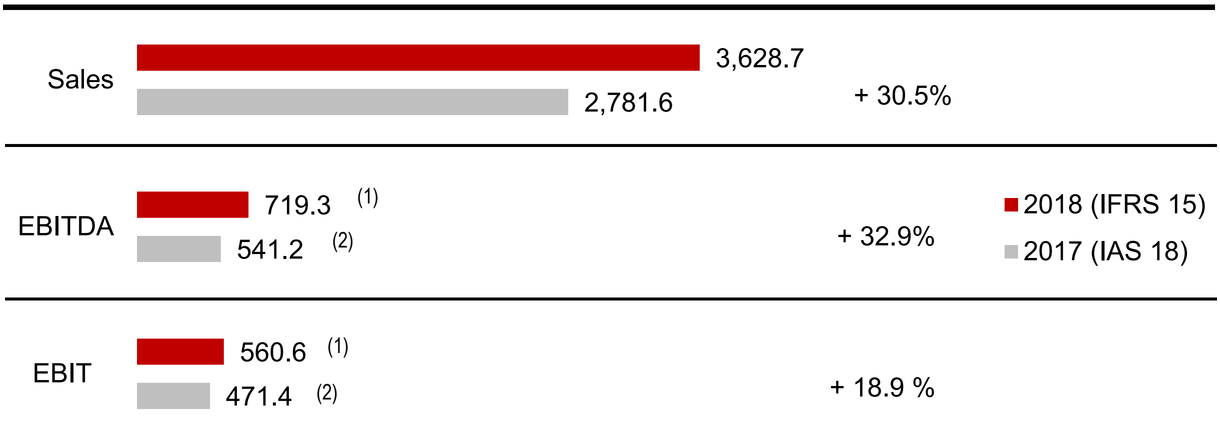
Due in part to the merger with Drillisch in September 2017 and takeover of the mass market business of 1&1 Versatel in May 2017, **sales of the Consumer Access segment** rose by 30.5% in the fiscal year 2018, from € 2,781.6 million in the previous year to € 3,628.7 million (sales effect from IFRS 15: € +277.6 million). On a pro forma basis (including Drillisch for the whole of the previous year), segment sales rose by 13.3%, from € 3,203.1 million to € 3,628.7 million (sales effect from IFRS 15: € +277.6 million).

Due in part to the merger with Drillisch in September 2017 and takeover of the mass market business of 1&1 Versatel in May 2017, **segment EBITDA** increased by 32.9%, from € 541.2 million (comparable prior-year figure without extraordinary income from the revaluation of Drillisch shares and without restructuring charges in offline sales) to € 719.3 million (earnings effect from IFRS 15: € +268.1 million; earnings effect from increased use of smartphones: € -268.1 million). On a pro forma basis (including Drillisch for the whole of the previous year), segment EBITDA rose by 12.3%, from € 640.7 million (comparable prior-year figure) to € 719.3 million (earnings effect from IFRS 15: € +268.1 million; earnings effect from increased use of smartphones: € -268.1 million). EBITDA includes € 25.1 million **one-off expenses** for current integration projects.

Segment EBIT increased by 18.9%, from € 471.4 million (comparable prior-year figure) to € 560.6 million (earnings effect from IFRS 15: € +270.0 million; earnings effect from increased use of smartphones: € -268.1 million). EBIT also includes the above mentioned one-off expenses. The difference in percentage growth compared to EBITDA (+32.9%) results from increased PPA amortization from the Drillisch takeover.

Due to the sale of yourfone Shop GmbH with around 100 physical stores at the turn of the year 2017/2018, the number of **employees** in this segment declined by 8.9% to 3,150 as of December 31, 2018 (prior year: 3,457).

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



(1) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -25.1 million)
(2) Without extraordinary income from revaluation of Drillisch shares (EBITDA and EBIT effect: € +303.0 million) and without restructuring charges in offline sales (EBITDA and EBIT effect: € -28.3 million)

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

	Q1 2018 (IFRS 15)	Q2 2018 (IFRS 15)	Q3 2018 (IFRS 15)	Q4 2018 (IFRS 15)	Q4 2017 (IAS 18)	Change
Sales	898.3	907.4	893.2	929.8	805.9	+ 15.4%
EBITDA	165.3[1]	174.9[2]	181.6[3]	197.5[4]	179.3[5]	+ 10.2%
EBIT	124.8[1]	134.7[2]	141.6[3]	159.5[4]	132.1[5]	+ 20.7%

(1) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -5.0 million)
(2) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -2.7 million)
(3) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -4.7 million)
(4) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -12.7 million)
(5) Without restructuring charges in offline sales (EBITDA and EBIT effect: € -28.3 million)

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

	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)
Sales	2,414.0	2,781.6	3,628.7
EBITDA	395.2	541.2[2]	719.3[3]
EBITDA margin	16.4%	19.5%	19.8%
EBIT	384.5	471.4[2]	560.6[3]
EBIT margin	15.9%	16.9%	15.4%

(1) As the new segmentation was only introduced in the course of preparing the annual financial statements for 2018, the usual 5-year multi-period overview is limited to the financial years 2016-2018
(2) Without extraordinary income from revaluation of Drillisch shares (EBITDA and EBIT effect: € +303.0 million) and without restructuring charges in offline sales (EBITDA and EBIT effect: € -28.3 million)
(3) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -25.1 million)

Business Access segment

In the fiscal year 2018, the key topics in the Business Access segment were the expansion of the fiber-optic network and the addition of further Layer 2 access points for VDSL/vectoring. The network was expanded from 44,889 km in the previous year to a length of 47,013 km. At the same time, the number of Layer 2 access points was increased as planned to around 500 BNGs (of Deutsche Telekom’s total of 897 BNGs).

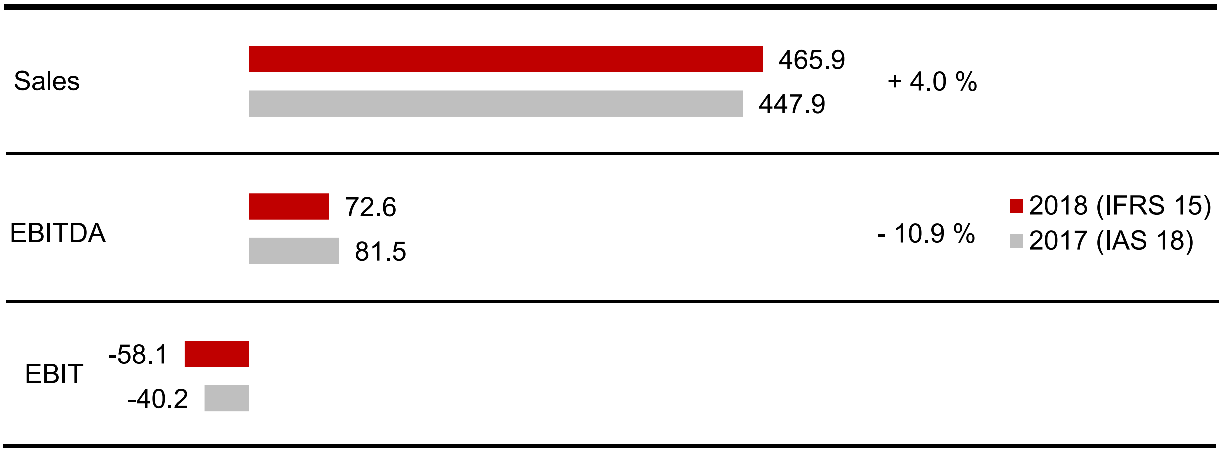
Sales of the Business Access segment increased by 4.0% in the fiscal year 2018, from € 447.9 million to € 465.9 million (sales effect from IFRS 15: € 0). The reason for this no more than moderate growth was the mass market business of 1&1 Versatel, part of which was still included in the Business Access segment in the previous year (since May 1, 2017 part of the Consumer Access segment). Without consideration of this mass market business, the Business Access segment grew strongly (+13.9%).

Segment EBITDA of € 72.6 million (earnings effect from IFRS 15: € +1.6 million) was below the prior-year figure (€ 81.5 million). This was also due to the mass market business of 1&1 Versatel, part of which was still included in the Business Access segment in the previous year (since May 1, 2017 part of the Consumer Access segment). Without consideration of this mass market business, EBITDA of the Business Access segment increased significantly (+27.9%).

As a result of high depreciation charges in the field of network infrastructure due to customer growth and Layer2 connections that are only amortized in subsequent periods, segment EBIT amounted to € -58.1 million (earnings effect from IFRS 15: € +1.6 million), compared to € -40.2 million in the previous year.

The number of employees in this segment rose slightly by 2.4% to 1,095 as of December 31, 2018 (prior year: 1,069).

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



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

	Q1 2018 (IFRS 15)	Q2 2018 (IFRS 15)	Q3 2018 (IFRS 15)	Q4 2018 (IFRS 15)	Q4 2017 (IAS 18)	Change
Sales	110.1	112.1	112.4	131.3	122.0	+ 7.6%
EBITDA	12.1	13.6	17.9	29.0	19.4	+ 49.5%
EBIT	-19.2	-18.6	-14.7	-5.6	-11.1	

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

	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)
Sales	513.7	447.9	465.9
EBITDA	124.0	81.5	72.6
EBITDA margin	24.1%	18.2%	15.6%
EBIT	-1.0	-40.2	-58.1
EBIT margin	-	-	-

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

Applications division

The Applications division, with its two segments Consumer Applications and Business Applications, comprises ad-financed or fee-based application products for consumer and business customers. These applications include domains, home pages, 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 European countries (Germany, France, the UK, Italy, the Netherlands, Austria, Poland, Switzerland and Spain) as well as in North America (Canada, Mexico and the USA).

Applications are marketed to specific home-user and business-user target groups via the differently positioned brands GMX, mail.com, WEB.DE, 1&1 IONOS, Arsys, Fasthosts, home.pl, InterNetX, Strato, united-domains and World4You. Via the Sedo brand, United Internet also offers customers professional services in the field of active domain management. Free apps are monetized via advertising run by the company's in-house agency United Internet Media.

Consumer Applications segment

In the fiscal year 2018, the Consumer Applications segment focused in particular on the repositioning of GMX and WEB.DE. As part of this repositioning, the segment strongly reduced ad space on its portals while at the same time driving the expansion of data-driven business models for monetizing advertising.

Ad-financed free accounts grew by 1.33 million to 37.00 million in the fiscal year 2018. The number of fee-based Consumer Applications accounts (contracts) rose in total by 10,000 to 2.25 million(2). The total number of **Consumer accounts** therefore increased by 1.34 million to 39.25 million accounts(2).

Development of Consumer Applications accounts in fiscal year 2018
(in million)

	Dec. 31, 2018	Dec. 31, 2017	Change
Consumer Applications, total accounts	39.25(2)	37.91(2)	+ 1.34
thereof with Premium Mail subscription	1.54	1.56(1)	- 0.02
thereof with Value-Added subscription	0.71(2)	0.68(1,2)	+ 0.03
thereof free accounts	37.00	35.67(1)	+ 1.33

(1) After reclassification of 250,000 customer relationships (110,000 accounts with Premium Mail subscription and 140,000 accounts with Value-Added subscription) from contract inventory to free accounts as of March 31, 2018; the comparative figures of previous periods have been restated accordingly so that the adjustment has no impact on the net change

(2) After reclassification of 260,000 customer relationships from the Business Applications contract inventory (domestic) to the Consumer Applications contract inventory (Value-Added subscription) as of December 31, 2018; the comparative figures of previous periods have been restated accordingly so that the adjustment has no impact on the net change

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

	Dec. 31, 2018	Sept. 30, 2018	Change
Consumer Applications, total accounts	39.25[(1)]	38.42[(1)]	+ 0.83
thereof with Premium Mail subscription	1.54	1.53	+ 0.01
thereof with Value-Added subscription	0.71[(1)]	0.72[(1)]	- 0.01
thereof free accounts	37.00	36.17	+ 0.83

(1) After reclassification of 260,000 customer relationships from the Business Applications contract inventory (domestic) to the Consumer Applications contract inventory (Value-Added subscription) as of December 31, 2018; the comparative figures of previous periods have been restated accordingly so that the adjustment has no impact on the net change

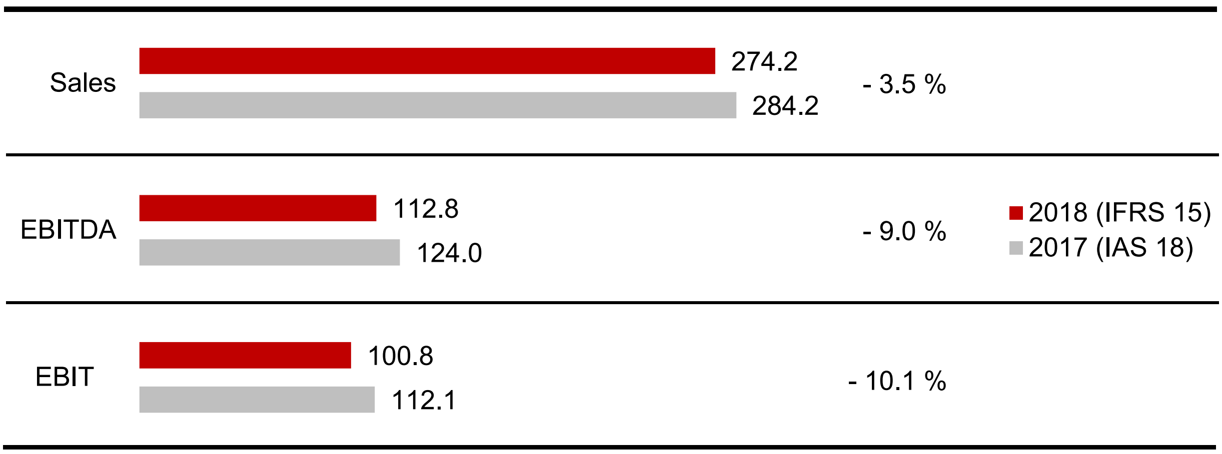
Due to the above mentioned repositioning of GMX and WEB.DE, **sales of the Consumer Applications segment** amounting to € 274.2 million for the fiscal year 2018 (sales effect from IFRS 15: € +2.8 million) **fell** as expected below the prior-year figure (€ 284.2 million). The same applies to **sales abroad**, which reached € 7.9 million (prior year: € 8.7 million).

Segment EBITDA of € 112.8 million (earnings effect from IFRS 15: € +0.2 million) was also down on the previous year as expected (€ 124.0 million). This decline was also a result of the repositioning of GMX and WEB.DE.

Segment EBIT amounted to € 100.8 million (earnings effect from IFRS 15: € +0.2 million), compared to € 112.1 million in the previous year.

The number of **employees** in this segment **fell slightly** by 1.5% to 947 as of December 31, 2018 (prior year: 961).

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



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

	Q1 2018 (IFRS 15)	Q2 2018 (IFRS 15)	Q3 2018 (IFRS 15)	Q4 2018 (IFRS 15)	Q4 2017 (IAS 18)	Change
Sales	72.0	68.2	63.7	70.3	82.4	- 14.7%
EBITDA	27.5	27.0	25.4	32.9	39.2	- 16.1%
EBIT	24.0	24.3	22.5	30.0	36.2	- 17.1%

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

	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)
Sales	283.6	284.2	274.2
EBITDA	127.6	124.0	112.8
EBITDA margin	45.0%	43.6%	41.1%
EBIT	115.0	112.1	100.8
EBIT margin	40.6%	39.4%	36.8%

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

Business Applications segment

In the fiscal year 2018, the key topics in the Business Applications segment were projects for the integration of the technical platforms and a rebranding of the business.

As part of this rebranding, 1&1 Internet SE and ProfitBricks GmbH were combined as 1&1 IONOS SE. As a result, 1&1 IONOS replaces the 1&1 Internet and ProfitBricks brands in Germany, France, the UK, Italy, Canada, Mexico, Austria, Spain and the USA.

The Business Applications segment also focused on the sale of additional features to existing customers (e.g. further domains, e-shops and business apps), as well as the acquisition of high-value customer relationships in 2018. Nevertheless, the number of fee-based Business Applications contracts was also raised organically by 50,000 in the fiscal year 2018. Contract growth in the fourth quarter of 2018 was hampered by the increased advertising budget for rebranding activities. Including approx. 250,000 contracts from the acquisition of the Austrian web host World4You (consolidated since mid-August 2018), the number of fee-based contracts rose to a total of 8.06 million[1].

Development of Business Applications contracts in the fiscal year 2018
(in million)

	Dec. 31, 2018	Dec. 31, 2017	Change
Business Applications, total contracts	8.06[1]	7.76[1]	+ 0.30[2]
thereof in Germany	3.82[1]	3.75[1]	+ 0.07
thereof abroad	4.24	4.01	+ 0.23[2]

[1] After reclassification of 260,000 customer relationships from the Business Applications contract inventory (domestic) to the Consumer Applications contract inventory (Value-Added subscription) as of December 31, 2018; the comparative figures of previous periods have been restated accordingly so that the adjustment has no impact on the net change

[2] Including approx. 250,000 customer contracts from the takeover of World4You

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

	Dec. 31, 2018	Sept. 30, 2018	Change
Business Applications, total contracts	8.06[1]	8.07[1]	- 0.01
thereof in Germany	3.82[1]	3.81[1]	+ 0.01
thereof abroad	4.24	4.26	- 0.02

[1] After reclassification of 260,000 customer relationships from the Business Applications contract inventory (domestic) to the Consumer Applications contract inventory (Value-Added subscription) as of December 31, 2018; the comparative figures of previous periods have been restated accordingly so that the adjustment has no impact on the net change

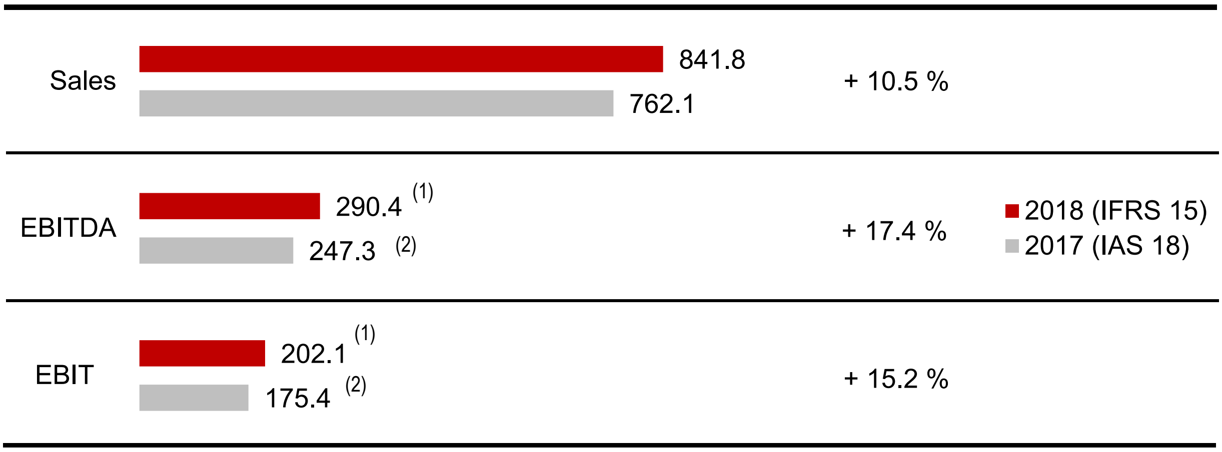
Due in part to the consolidation of Strato acquired on April 1, 2017, sales of the Business Applications segment rose by 10.5% in the fiscal year 2018, from € 762.1 million in the previous year to € 841.8 million (sales effect from IFRS 15: € +2.8 million). On a pro forma basis (including Strato for the whole of the previous year), segment sales increased by 5.9% from € 794.9 million to € 841.8 million (sales effect from IFRS 15: € +2.8 million). Influenced in part by the year-on-year devaluation of the British pound, sales abroad rose slightly more slowly by 5.4%, from € 380.4 million to € 400.8 million. Adjusted for currency effects, sales generated abroad were up 6.4%.

Also resulting in part from the consolidation of Strato acquired on April 1, 2017, segment EBITDA rose by 17.4%, from € 247.3 million (comparable prior-year figure without extraordinary income from the revaluation of ProfitBricks shares and without M&A costs) to € 290.4 million (earnings effect from IFRS 15: € +7.0 million). On a pro forma basis (including Strato for the whole of the previous year), segment EBITDA grew by 13.7% from € 255.3 million (comparable prior-year figure) to € 290.4 million (earnings effect from IFRS 15: € +7.0 million). EBITDA includes one-off expenses for current integration projects of € 16.6 million.

Segment EBIT improved by 15.2%, from € 175.4 million (comparable prior-year figure) to € 202.1 million (earnings effect from IFRS 15: € +6.9 million). EBIT also includes the above mentioned one-off expenses. The difference in percentage growth compared to EBITDA (+17.4%) results from increased PPA amortization from the Strato takeover.

As a result of staff transfers from this segment to the Corporate/HQ division, the number of employees fell by 6.4% to 3,355 as of December 31, 2018 (prior year: 3,586).

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



(1) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -16.6 million)
(2) Without extraordinary income from revaluation of ProfitBricks shares (EBITDA and EBIT effect: € +16.1 million), without internally allocated M&A costs (EBITDA and EBIT effect: € -8.7 million) and without trademark writedowns Strato (EBIT effect: € -20.7 million); EBIT 2017 adjusted in connection with a final purchase price allocation (ProfitBricks)

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

	Q1 2018 (IFRS 15)	Q2 2018 (IFRS 15)	Q3 2018 (IFRS 15)	Q4 2018 (IFRS 15)	Q4 2017 (IAS 18)	Change
Sales	209.4	209.9	215.4	207.1	205.0	+ 1.0%
EBITDA	74.7(1)	74.2(2)	85.0(3)	56.5(4)	61.0	- 7.4%
EBIT	54.6(1)	52.8(2)	61.0(3)	33.7(4)	39.3(5)	- 14.2%

(1) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -3.1 million)
(2) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -3.1 million)
(3) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -2.6 million)
(4) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -7.8 million)
(5) without trademark writedowns Strato (EBIT effect: € -20.7 million); EBIT Q4 2017 adjusted in connection with a final purchase price allocation (ProfitBricks)

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

	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)
Sales	638.9	762.1	841.8
EBITDA	202.5	247.3(2)	290.4(3)
EBITDA margin	31.7%	32.4%	34.5%
EBIT	159.2	175.4(2)	202.1(3)
EBIT margin	24.9%	23.0%	24.0

(1) As the new segmentation was only introduced in the course of preparing the annual financial statements for 2018, the usual 5-year multi-period overview is limited to the financial years 2016-2018
(2) Without extraordinary income from revaluation of ProfitBricks shares (EBITDA and EBIT effect: € +16.1 million), without internally allocated M&A costs (EBITDA and EBIT effect: € -8.7 million) and without trademark writedowns Strato (EBIT effect: € -20.7 million); EBIT 2017 adjusted in connection with a final purchase price allocation (ProfitBricks)
(3) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -16.6 million)

Group investments

United Internet AG continued to optimize its investment portfolio in the fiscal year 2018. A further competitor in the field of Business Applications was acquired with the Austrian web host World4You in August 2018 and in October 2018 the non-strategic investment in AdUX was sold.

Significant changes in investments

Takeover of World4You

In mid-August 2018, United Internet reached an agreement with the owners of the Austrian web hosting company World4You concerning the 100% acquisition of the company by United Internet subsidiary 1&1 Internet SE (now 1&1 IONOS SE).

Based in Linz, Austria, World4You Internet Services GmbH was founded in 1998. The company is the market leader for web hosting in Austria. The product range of World4You (www.world4you.com) comprises domains, e-mail solutions, websites, web hosting and servers, as well as security solutions. It is planned that World4You will remain an independent company and continue to develop the Austrian market.

The Austrian web hosting and cloud applications market has made good progress over the past few years. The market is heavily fragmented and dominated by competition between national companies and a few international players.

The acquisition of World4You strengthens United Internet AG's international activities in the field of Business Applications and continues its strategy of complementing organic growth with targeted acquisitions.

Sale of shares in AdUX

In October 2018, United Internet sold its stake in the listed company AdUX S.A. (formerly: Hi-Media S.A.), Paris / France. The proceeds from the sale amounted to € 1.3 million.

In addition to its (fully consolidated) core operating companies in the Access and Applications segments, United Internet also held investments in the following companies as of December 31, 2018.

Minority holdings in listed companies

United Internet has held an investment in Rocket Internet SE since August 2014. As of December 31, 2018 the share of voting rights amounted to 9.00%. The company's market capitalization as of December 31, 2018 was around € 3.078 billion (prior year: € 3.489 billion).

In February 2016, United Internet announced its investment in Tele Columbus AG. As of December 31, 2018, the share of voting rights amounted to 28.52%. The company's market capitalization as of December 31, 2018 was around € 370 million (prior year: € 1.180 billion).

Minority holdings in partner companies

United Internet has held a stake in virtual minds AG since February 2008 (main activity: media technologies, digital advertising and hosting). As of December 31, 2018, United Internet's share of voting rights amounted to 25.10%. In its fiscal year 2018, virtual minds – via its ADITION brand also an adserving supplier of United Internet portals – posted a slightly negative result.

In July 2013, United Internet acquired a stake in Open-Xchange AG (main activity: e-mail and collaboration solutions). United Internet has already been working successfully with the company for many years in its Applications business. As of December 31, 2018, United Internet's share of voting rights amounted to 25.39%. Open-Xchange closed its fiscal year 2018 with a positive result.

In February 2014, United Internet acquired a stake of 25.10% in ePages GmbH (main activity: e-shop solutions). In addition to the equity stake, ePages and United Internet's subsidiary 1&1 IONOS SE agreed a long-term cooperation contract for the use of ePages solutions. As part of this cooperation, there is a joint technology platform for 1&1 E-Shops. As of December 31, 2018, United Internet's share of voting rights amounted to 25.01%. ePages posted a positive result in its fiscal year 2018.

In April 2014, United Internet acquired a stake in uberall GmbH (main activity: online listings). In addition, uberall and United Internet's subsidiary 1&1 IONOS SE agreed a long-term cooperation contract for the use of uberall solutions. As of December 31, 2018, the share of voting rights amounted to 28.52%. uberall is still in the start-up phase and posted a negative result in its fiscal year 2018.

In April 2017, United Internet acquired a stake in rankingCoach International GmbH (main activity: online marketing solutions). In addition to the equity stake, rankingCoach and 1&1 IONOS SE signed a long-term cooperation agreement for 1&1 IONOS SE to use the online marketing solutions of rankingCoach as part of its hosting and cloud products marketed in Europe and North America. As of December 31, 2018, the share of voting rights amounted to 30.70%. rankingCoach is also still in the start-up phase and posted a negative result in its fiscal year 2018.

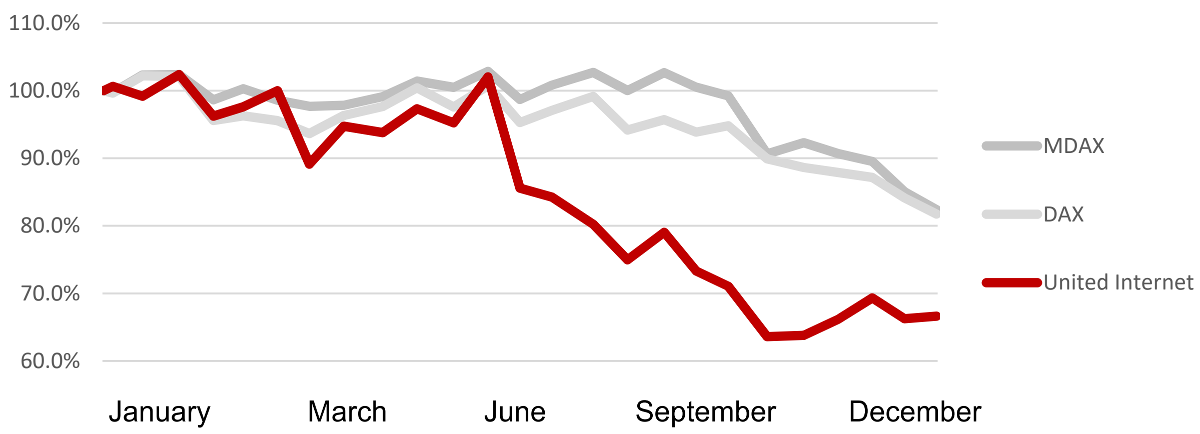
Following the contribution of affilinet GmbH to AWIN in October 2017, United Internet also holds a stake in AWIN AG (main activity: affiliate marketing). As of December 31, 2018, United Internet's share of voting rights amounted to 20.00%. AWIN once again closed its fiscal year 2018 with a strongly positive result.

Share and dividend

Share

The United Internet **share** decreased in value during fiscal year 2018: the share price fell by 33.4% to € 38.20 as of December 31, 2018 (December 31, 2017: € 57.34). The share thus performed worse than its comparative indices, which also fell strongly (DAX: -18.3%; MDAX -17.6%).

Share performance 2018, indexed



There was a corresponding decline in the **market capitalization** of United Internet AG from around € 11.75 billion in the previous year to around € 7.83 billion as of December 31, 2018.

In fiscal year 2018, average daily trading via the XETRA electronic computer trading system amounted to around 405,000 shares (prior year: 419,000) with an average value of € 19.3 million (prior year: € 19.7 million).

Multi-period overview: share performance
(in €; all stock exchange figures are based on Xetra trading)

	2014	2015	2016	2017	2018
Year-end	37.49	50.91	37.10	57.34	38.20
Performance	+ 21.2%	+ 35.8%	- 27.1%	+ 54.6%	- 33.4%
Year-high	37.95	51.94	49.89	59.17	59.80
Year-low	28.35	36.17	34.42	37.01	34.14
Average daily turnover	13,731,799	15,279,407	16,301,156	19,666,155	19,261,114
Average daily turnover (units)	420,640	354,904	407,372	418,771	404,956
Shares at year-end (units)	205 million	205 million	205 million	205 million	205 million
Market value at year-end	7.69 billion	10.44 billion	7.61 billion	11.75 billion	7.83 billion
EPS(1)	2.28	1.80	0.86	3.06	0.94
Adjusted EPS(2)	1.46	1.73	2.11	2.02	1.96

(1) EPS from continued operations
(2) EPS from continued operations and without special items: 2014 without positive one-off effect from Versatel acquisition and portfolio optimization (EPS effect: € +0.82); 2015 without effects from sale of Goldbach shares and part of stake in virtual minds (EPS effect: € +0.07); 2016 without negative one-off effect from impairment (EPS effect: € -1.25); 2017 without net positive one-off effects from valuation topics, transaction and restructuring costs, writedowns on brands, writedowns on financial assets / Rocket impairment charges, financing costs and one-off tax effects (EPS effect: €+1.04); 2018 without negative effect from Tele Columbus impairment charges (EPS effect: € -1.02)

Share data

Share type	Registered common stock
Notional share of capital stock	€ 1.00
German Securities Identification Number (WKN)	508903
International Securities Identification Number (ISIN)	DE0005089031
Ticker symbol Xetra	UTDI
Reuters ticker symbol	UTDI.DE
Bloomberg ticker symbol	UTDI.GR
Segment	Prime Standard
Index	MDAX, TecDAX
Sector	Software

Shareholder structure

Shareholder	Shareholding
Ralph Dommermuth - Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft (39.02%) - RD Holding GmbH & Co. KG (0.98%)	40.00%
Allianz Global Investors	5.44%
Flossbach von Storch	3.14%
Capital Group	3.05%
United Internet (treasury stock)	2.29%
Free float	46.08%

As of December 31, 2018; figures based on the last respective notification of voting rights

Dividend

United Internet's current dividend policy aims to pay a dividend to its shareholders of approx. 20-40% of adjusted consolidated net income from continued operations after minority interests (adjusted consolidated net income attributable to the "shareholders of United Internet AG" – according to the consolidated statement of comprehensive income), provided that funds are not needed for further company development.

In fiscal year 2018, United Internet continued to pursue its shareholder-friendly dividend policy based on continuity. The company's Annual Shareholders' Meeting on May 24, 2018 voted to accept the proposal of the Management Board and Supervisory Board to pay a dividend of € 0.85 per share for fiscal year 2017 (prior year: € 0.80). The total dividend payment of € 170.0 million (prior year: € 159.7 million) was made on May 29, 2018. The dividend payout ratio amounted to 42.1% of the adjusted consolidated net income from continued operations after minority interests for 2017 (€ 403.8 million) and was thus slightly above the range targeted by the company's dividend policy.

On January 24, 2019, the Group subsidiary 1&1 Drillisch AG announced that it intended to apply to the German Federal Network Agency ("Bundesnetzagentur") for admission to take part in the auction on the allocation of mobile frequencies ("5G spectrum auction") and, in the event of a successful acquisition of spectrum at the auction, to establish and operate a 5G mobile network. The applicant was Drillisch Netz AG, a wholly-owned subsidiary of 1&1 Drillisch AG. On February 25, 2019, the Bundesnetzagentur granted admission to the 5G spectrum auction, which started on March 19, 2019.

Against the background of the ongoing 5G spectrum auction, and the necessary additional investments in the event of a successful acquisition of spectrum at the auction, the Management Board of United Internet AG will propose to the Supervisory Board the following two-part **dividend proposal** for the fiscal year 2018 in accordance with the company's dividend policy:

- Payment of a dividend of € 0.05 per share in the event that Drillisch Netz AG has acquired spectrum during the 5G spectrum auction by May 20, 2019. The dividend is based on the minimum dividend as prescribed by Section 254 (1) AktG. On the basis of 200.3 million shares with dividend entitlement (as of December 31, 2018), the total dividend payment for fiscal year 2018 would amount to € 10.0 million.

- Payment of a dividend of € 0.90 (prior year: € 0.85) per share in the event that Drillisch Netz AG has not acquired spectrum during the 5G spectrum auction by May 20, 2019. On the basis of 200.3 million shares with dividend entitlement (as of December 31, 2018), the total dividend payment for fiscal year 2018 would amount to € 180.3 million.

The dividend payout ratio would therefore amount to 2.5% (for a dividend of € 0.05 per share) or 45.9% (for a dividend of € 0.90 per share) of adjusted consolidated net income from continued operations after minority interests for 2018 (€ 392.6 million). The dividend yield – based on the closing price of the United Internet share on December 31, 2018 – would be 0.1% (for a dividend of € 0.05 per share) or 2.4% (for a dividend of € 0.90 per share).

The Management Board and Supervisory Board will discuss this dividend proposal at the Supervisory Board meeting on March 27, 2019 (and thus after the preparation deadline for this management report of March 22, 2019). The Annual Shareholders' Meeting of United Internet AG on May 23, 2019, will then vote on whether to adopt the joint proposal of the Management Board and Supervisory Board.

Multi-period overview: dividend development

	For 2014	For 2015	For 2016	For 2017	For 2018(1)
Dividend per share (in €)	0.60	0.70	0.80	0.85	0.05 or 0.90(4)
Dividend payment (in € million)	122.3	142.9	161.3	169.9	10.0(5) 180.3(6)
Payout ratio	27.3%	39.0%	90.0%	26.1%	5.3%(5) 95.5%(6)
Adjusted payout ratio(2)	43.0%	39.0%	37.2%	42.0%	2.5%(5) 45.9%(6)
Dividend yield(3)	1.6%	1.4%	2.2%	1.5%	0.1%(5) 2.4%(6)

(1) Subject to approval of Supervisory Board and Annual Shareholders' Meeting 2019
(2) Without special items: one-off income from Versatel acquisition and portfolio optimization (2014); 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); writedowns on Tele Columbus shares (2018)
(3) As of: December 31
(4) Two-part dividend proposal
(5) On a dividend of € 0.05 per share
(6) On a dividend of € 0.90 per share

Annual Shareholders' Meeting 2018

The Annual Shareholders' Meeting of United Internet AG was held in Frankfurt am Main on May 24, 2018. A total of 77.41% of capital stock (or 79.34% of capital stock less treasury shares) was represented. The shareholders adopted all resolutions on the agenda requiring voting with large majorities.

Capital stock and treasury shares

With a resolution adopted on 18 May 2017, the Annual General Meeting authorized United Internet AG to buy back shares in accordance with Section 71 (1) No. 8 AktG up to a total of 10% of capital stock. The authorization was granted until 18 September 2020. United Internet did not buy back any shares in the fiscal year 2018.

Following the issue of treasury shares as part of employee stock ownership plans, United Internet held 4,702,990 treasury shares as of December 31, 2018 (December 31, 2017: 5,093,289). This corresponds to 2.29% of the current capital stock of € 205,000,000 (December 31, 2017: 2.48%).

Investor Relations

In the fiscal year 2017, the Management Board and Investor Relations department of United Internet AG once again provided institutional and private investors with regular and comprehensive information. Information was provided to the capital market via the quarterly statements, half-yearly financial report and annual report, press and analyst conferences, as well as via various webcasts. The company’s management and Investor Relations department explained the company’s strategy and financial results in numerous one-on-one discussions at the company’s offices in Montabaur, as well as at roadshows and conferences in Germany, France, UK, Italy, Luxembourg, the Netherlands, Norway, Sweden, Switzerland, Spain and the USA. Over 20 national and international investment banks are in contact with the company’s Investor Relations department and publish regular studies and comments on the company’s progress and share performance. Apart from such one-on-one meetings, shareholders and potential future investors can also receive the latest news on the company around the clock via the company’s website (www.united-internet.de).

Liquidity and finance

The Group’s financial strategy is primarily geared to the strategic business plans of its operating business units. In order to provide sufficient flexibility for further growth, United Internet therefore constantly monitors trends in funding opportunities arising on the financial markets. Various options for funding and potential for optimizing existing financial instruments are regularly reviewed. The main focus is on ensuring sufficient liquidity and the financial independence of the Group at all times. In addition to its own financial strength, the Group maintains sufficient liquidity reserves with core banks. The flexible use of these liquidity reserves enables efficient management of Group liquidity, optimal debt management to reduce interest costs, and the avoidance of negative interest on deposits.

As of December 31, 2018, the Group’s bank liabilities amounted to € 1,939.1 million (prior year: € 1,955.8 million) and mainly comprise both promissory note loans and syndicated loans.

Promissory note loans

At the end of the reporting period on December 31, 2018, total liabilities from promissory note loans with maximum terms until March 2025 amounted to € 835.5 million (prior year: € 1,035.5 million).

Syndicated loan facilities & syndicated loans

On December 21, 2018, United Internet signed an agreement with its core banks regarding a new syndicated loan facility. The company used the favorable market situation to renegotiate significant components of the loan agreement. As a result, borrowing costs were reduced and the term was extended to January 2024.

As of December 31, 2018, € 700 million of the revolving syndicated loan facility totaling € 810 million had been drawn (prior year: € 477 million). The increased usage was mainly due to the repayment of a tranche of the promissory note loan of € 200 million in December 2018. As a result, funds of € 110 million (prior year: € 333 million) were still available to be drawn from the credit facility.

At the end of the reporting period on December 31, 2018, a total of € 400 million in syndicated loans, redeemable on maturity, divided into two tranches with terms from August 2019 to August 2021 were still outstanding, as well as various drawings from the revolving syndicated loan facility with a term until January 2024.

In addition, United Internet AG increased a bilateral credit facility by € 125 million, from € 75 million to € 200 million. The facility has been granted until further notice. No drawings had been made from the credit facility as at the end of the reporting period.

A revolving credit line of 1&1 Drillisch AG amounting to € 100 million and with an original term until December 2019 was prematurely terminated in the fiscal year 2018.

As of December 31, 2018, United Internet thus had free credit lines totaling € 310 million.

These successful financing activities demonstrate the company's trusting and cooperative relationships with its long-standing core banks and underline the United Internet Group's strong position on the capital market. Further disclosures on the various financial instruments, drawings, interest rates and maturities are provided under point 31 of the Notes to the Consolidated Financial Statements

2.3 POSITION OF THE GROUP

Earnings position

In the fiscal year 2018, the number of **fee-based customer contracts** rose by 1.28 million in total – of which 1.03 million from organic growth and 250,000 from the takeover of World4You – to 23.85 million contracts. Ad-financed free accounts increased by 1.33 million to 37.00 million.

The sales and earnings figures for the fiscal year 2018 are shaped by the consolidation of Strato and Drillisch, as well as by positive conversion effects from the initial application of IFRS 15 (prior year: IAS 18). There were opposing and expected burdens on earnings from the increased use of smartphones for new and existing customers (no or only small one-off customer payment for new contracts and refinancing via higher tariff prices over the contractual term). Earnings in the fiscal year 2017 were dominated by a net positive extraordinary result from the previous year's M&A activities.

Due in part to the consolidation of Strato and Drillisch, **consolidated sales** grew by 22.0% from € 4,206.3 million in the previous year to € 5,130.8 million in the fiscal year 2018 (sales effect from IFRS 15: € +283.2 million). On a pro forma basis (including Strato and Drillisch for the whole of the previous year), sales rose by 10.2% from € 4,660.6 million to € 5,130.8 million (sales effect from IFRS 15: € +283.2 million). Negatively influenced in part by the year-on-year decline in the value of the British pound, **consolidated sales abroad** (adjusted for intercompany sales) increased by 5.2%, from € 381.0 million to € 401.0 million. Adjusted for currency effects, foreign sales rose by 6.3%.

Owing to the increased use of smartphones for new and existing customers, the **cost of sales** increased faster than revenues from € 2,691.1 million (64.0% of sales) in the previous year to € 3,378.0 million (65.8% of sales) in the fiscal year 2018. There was a corresponding decline in the **gross margin** from 36.0% to 34.2%. At the same time, **gross profit** rose by 15.7% from € 1,515.2 million to € 1,752.8 million.

Sales and marketing expenses increased more slowly than sales (due in part to IFRS 15 accounting) from € 638.3 million (15.2% of sales) in the previous year to € 678.2 million (13.2% of sales). **Administrative expenses** also rose more slowly than sales (due in part to IFRS 15 accounting) from € 185.1 million in the previous year (4.4% of sales) to € 218.9 million (4.3% of sales).

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

	2014 (IAS 18)	2015 (IAS 18)	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)
Cost of sales	2,034.5	2,437.2	2,461.8	2,691.1[(1)]	3,378.0
Cost of sales ratio	66.4%	65.6%	64.6%	64.0%[(1)]	65.8%
Gross margin	33.6%	34.4%	35.4%	36.1%	34.2%
Selling expenses	481.3	557.2	521.2	638.3	678.2
Selling expenses ratio	15.7%	15.0%	13.7%	15.2%	13.2%
Administrative expenses	136.9	182.2	182.9	185.1	218.9
Administrative expenses ratio	4.5%	4.9%	4.8%	4.4%	4.3%

(1) 2017 adjusted in connection with a final purchase price allocation (ProfitBricks)

Due in particular to the reclassification of impairment losses on receivables and contract assets to a new separate income statement line as a result of new IFRS standards, **other operating expenses** fell from € 100.6 million to € 24.0 million.

Other operating income amounted to € 77.9 million (prior year: € 365.8 million). The extremely high level of other operating income in the previous year resulted in particular from one-off, non-cash-effective, extraordinary income described below from the revaluation of Drillisch shares (€ 303.0 million) and from the revaluation of ProfitBricks shares (€ 16.1 million).

The new line **Impairment losses on receivables and contract assets** amounted to € 98.5 million (prior year: € 0).

Key earnings figures for the fiscal years 2018 and 2017 were influenced by various **special items**.

Special items 2018:

- "Impairment charges Tele Columbus": this special item results from the impairment of shares in Tele Columbus AG held by United Internet and disclosed in the result from associated companies. It has a negative effect on EBT, net income and EPS.

Special items 2017:

- "Revaluation of Drillisch shares": this special item results from one-off, non-cash-effective, extraordinary income from the Drillisch takeover (due to the revaluation of Drillisch shares acquired before the complete transaction was closed) and has a positive effect on EBITDA, EBIT, EBT, net income and EPS.
- "Revaluation of ProfitBricks shares": this special item results from one-off, non-cash-effective, extraordinary income from the ProfitBricks takeover (due to the revaluation of ProfitBricks shares held before the takeover) and has a positive effect on EBITDA, EBIT, EBT, net income and EPS.
- "M&A transaction costs": this special item results from the costs for M&A activities (especially in connection with the Drillisch takeover) and has a negative effect on EBITDA, EBIT, EBT, net income and EPS.
- "Restructuring costs offline sales": this special item results in particular from one-off costs in connection with the sale of yourfone shops at year-end 2017 and the restructuring of the Drillisch retail organization and has a negative effect on EBITDA, EBIT, EBT, net income and EPS.
- "Trademark writedowns Strato": this special item results in particular from trademark writedowns on Strato and has a negative effect on EBIT, EBT, net income and EPS.
- "Financing costs Drillisch": this special item results in particular from bank commissions in connection with the overall Drillisch transaction and has a negative effect on EBT, net income and EPS.
- "Writedowns on financial assets": this special item results from the writing down of financial assets (especially impairment of shares held in Rocket Internet SE) and has a negative impact on EBT, net income and EPS.
- "Tax effects from M&A activities": this special item results from one-off tax effects in connection with the Warburg Pincus investment in the Business Applications division and the Drillisch takeover and has a negative effect on net income and EPS.

Reconciliation of EBITDA, EBIT, EBT, net income and EPS with figures adjusted for special items (in € million; EPS in €)

	Fiscal year 2018	Fiscal year 2017
EBITDA	1,201.3	1,253.3
Revaluation of Drillisch shares (2017)		- 303.0
Revaluation of ProfitBricks shares (2017)		- 16.1
M&A transaction costs (2017)		+ 17.1
Restructuring costs offline sales (2017)		+ 28.3
EBITDA before special items (operating)	1,201.3	979.6
EBIT	811.0	957.0[(1)]
Revaluation of Drillisch shares (2017)		- 303.0
Revaluation of ProfitBricks shares (2017)		- 16.1
M&A transaction costs (2017)		+ 17.1
Restructuring costs offline sales (2017)		+ 28.3
Trademark writedowns Strato (2017)		+ 20.7
EBIT before special items (operating)	811.0	704.0[(1)]
EBT	561.9	889.0[(1)]
Revaluation of Drillisch shares (2017)		- 303.0
Revaluation of ProfitBricks shares (2017)		- 16.1
M&A transaction costs (2017)		+ 17.1
Restructuring costs offline sales (2017)		+ 28.3
Trademark writedowns Strato (2017)		+ 20.7
Financing costs Drillisch (2017)		+ 4.3
Writedowns on financial assets (2017)		+ 19.8
Impairment charges Tele Columbus (2018)	+ 203.8	
EBT before special items (operating)	765.7	660.1[(1)]
Net income from continued operations	312.1	646.6[(1)]
Revaluation of Drillisch shares (2017)		- 303.0
Revaluation of ProfitBricks shares (2017)		- 16.1
M&A transaction costs (2017)		+ 12.0
Restructuring costs offline sales (2017)		+ 19.9
Trademark writedowns Strato (2017)		+ 14.5
Financing costs Drillisch (2017)		+ 3.0
Writedowns on financial assets (2017)		+ 19.8
Impairment charges Tele Columbus (2018)	+ 203.8	
Tax effects from M&A activities (2017)		+ 43.0
Net income before special items (operating)	515.9	439.7[(1)]
EPS from continued operations	0.94	3.06
Revaluation of Drillisch shares (2017)		- 1.51
Revaluation of ProfitBricks shares (2017)		- 0.08
M&A transaction costs (2017)		+ 0.06
Restructuring costs offline sales (2017)		+ 0.10
Trademark writedowns Strato (2017)		+ 0.07
Financing costs Drillisch (2017)		+ 0.01
Writedowns on financial assets (2017)		+ 0.10
Impairment charges Tele Columbus (2018)	+ 1.02	
Tax effects from M&A activities (2017)		+ 0.21
EPS before special items (operating)	1.96	2.02

(1) Adjusted in connection with a final purchase price allocation (ProfitBricks)

Without consideration of the above special items, United Internet's key performance measures for the fiscal year 2018 developed as follows:

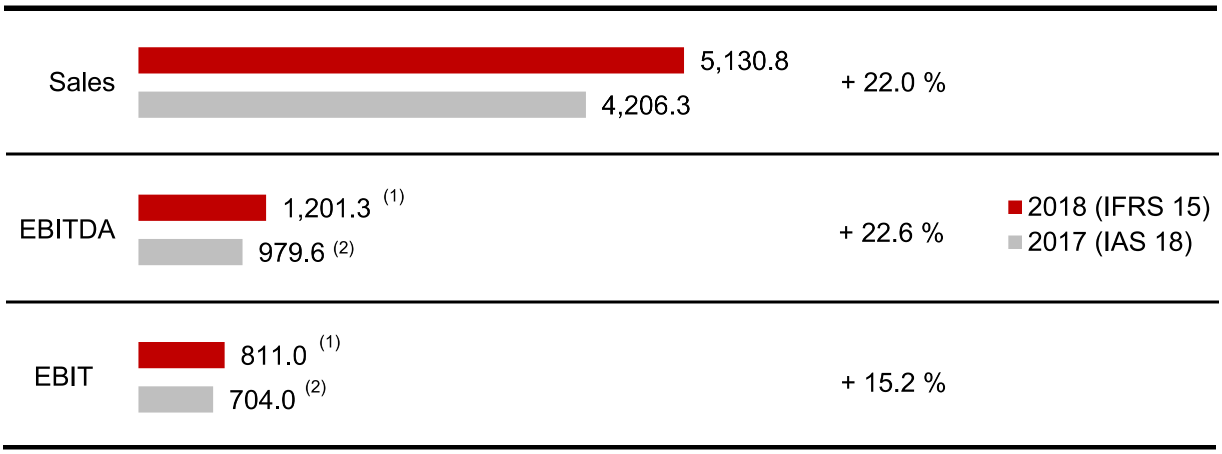
Consolidated EBITDA rose by 22.6% from € 979.6 million (comparable prior-year figure) to € 1,201.3 million (earnings effect from IFRS 15: € +286.9 million; earnings effect from increased smartphone use: € -268.1 million). On a pro forma basis (including Strato and Drillisch in the whole of the previous year), EBITDA improved by 10.5% from € 1,087.1 million (comparable prior-year figure) to € 1,201.3 million (earnings effect from IFRS 15: € +286.9 million; earnings effect from increased smartphone use: € -268.1 million). EBITDA for the fiscal year 2018 includes total one-off expenses for current integration projects of € 41.7 million.

Consolidated EBIT increased by 15.2% from € 704.0 million (comparable prior-year figure) to € 811.0 million (earnings effect from IFRS 15: € +288.9 million; earnings effect from increased smartphone use: € -268.1 million). EBIT also includes the above mentioned one-off expenses. The difference in percentage growth compared to EBITDA (+22.6%) is due to increased amortization of purchase price allocations (PPA) from the Strato and Drillisch takeovers.

Operating EBT rose by 16.0% from € 660.1 million (comparable prior-year figure) to € 765.7 million and **operating net income** from continued operations increased by 17.3% from € 439.7 million (comparable prior-year figure) to € 515.9 million.

Despite the increase in operating net income, **operating earnings per share** (EPS) fell from € 2.02 to € 1.96. This was due to the first full-year inclusion of minority interests as a result of the 33% stake of Warburg Pincus in the Business Applications segment and the 27% stake of minority shareholders in 1&1 Drillisch AG and thus in the Consumer Access segment. In addition, there were increased PPA writedowns resulting in particular from the acquisition of Versatel and the Strato and Drillisch takeovers completed in 2017. Adjusted for PPA writedowns, EPS rose by 6.0% from € 2.34 to € 2.48.

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



(1) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -41.7 million)
(2) Without extraordinary income from revaluation of Drillisch shares (EBITDA and EBIT effect: € +303.0 million) and revaluation of ProfitBricks shares (EBITDA and EBIT effect: € +16.1 million), as well as without M&A transaction costs (EBITDA and EBIT effect: € -17.1 million), without restructuring charges in offline sales (EBITDA and EBIT effect: € -28.3 million) and without trademark writedowns Strato (EBIT effect: € -20.7 million); EBIT 2017 adjusted in connection with a final purchase price allocation (ProfitBricks)

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

	Q1 2018 (IFRS 15)	Q2 2018 (IFRS 15)	Q3 2018 (IFRS 15)	Q4 2018 (IFRS 15)	Q4 2017 (IAS 18)	Change
Sales	1,270.7	1,278.2	1,267.0	1,314.9	1,198.1	+ 9.7%
EBITDA	278.3(1)	287.2(2)	309.1(3)	326.7(4)	295.5(5)	+ 10.6%
EBIT	182.9(1)	190.9(2)	209.0(3)	228.2(4)	192.8(5)	+ 18.4%

(1) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -8.1 million)
(2) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -5.8 million)
(3) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -7.3 million)
(4) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -20.5 million); EBIT Q4 2017 adjusted in connection with a final purchase price allocation (ProfitBricks)
(5) Without M&A transaction costs (EBITDA and EBIT effect: € -1.9 million), without restructuring charges in offline sales (EBITDA and EBIT effect: € -28.3 million) and without trademark writedowns Strato (EBIT effect: € -20.7 million)

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

	2014 (IAS 18)	2015 (IAS 18)	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)
Sales	3,065.0	3,715.7	3,808.1	4,206.3	5,130.8
EBITDA	551.5(1)	757.2(2)	835.4	979.6(3)	1,201.3(4)
EBITDA margin	18.0%	20.4%	21.9%	23.3%	23.4%
EBIT	430.6(1)	541.7(2)	642.7	704.0(3)	811.0 (4)
EBIT margin	14.0%	14.6%	16.9%	16.7%	15.8%

(1) Without one-off income from Versatel acquisition and portfolio optimization (EBITDA and EBIT effect: € +186.1 million)
(2) Without one-off income from sale of Goldbach shares and part of stake in virtual minds (EBITDA and EBIT effect: € +14.0 million)
(3) Without extraordinary income from revaluation of Drillisch shares (EBITDA and EBIT effect: € +303.0 million) and revaluation of ProfitBricks shares (EBITDA and EBIT effect: € +16.1 million), as well as without M&A transaction costs (EBITDA and EBIT effect: € -17.1 million), without restructuring charges in offline sales (EBITDA and EBIT effect: € -28.3 million) and without trademark writedowns Strato (EBIT effect: € -20.7 million); EBIT 2017 adjusted in connection with a final purchase price allocation (ProfitBricks)
(4) Including one-off expenses for current integration projects (EBITDA and EBIT effect: € -41.7 million)

Group’s financial position

Thanks to the positive trend in operating earnings, **operative cash flow** rose from € 656.4 million in the previous year to € 889.5 million in the fiscal year 2018.

Cash flow from operating activities in the fiscal year 2018 decreased from € 655.7 million in the previous year (without consideration of a capital gains tax refund of € 70.3 million) to € 482.3 million. This was mainly due to prepayments for services received which will not be recognized until the following periods, increased hardware use, and a short-term increase in inventories which led to corresponding cash outflows and will not be amortized until subsequent periods.

Cash flow from investing activities amounted to € 350.9 million in the fiscal year 2018 (prior year: € 897.7 million). This resulted mainly from disbursements of € 271.8 million for capital expenditures (prior year: € 233.5 million), from disbursements of € 72.0 million (less cash received) for the purchase of shares in affiliated companies (World4You takeover), and from a subsequent cash outflow from the Drillisch integration. In addition to the aforementioned capital expenditures, cash flow from investing activities in the previous year was dominated by payments of € 528.1 million (less cash received) for the purchase of shares in affiliated companies (Strato, ProfitBricks und Drillisch takeovers), and payments for the purchase of shares in associated companies totaling € 127.9 million (mainly from the increase of stakes in Tele Columbus and Drillisch – prior to the closing of the overall transaction – as well as the investment in rankingCoach).

As a result of the investments made in operating activities (increased use of smartphones for new and existing customers) which will not be amortized until subsequent periods, **free cash flow** (i.e. cash flow from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment) fell from € 424.4 million (comparable prior-year figure without above mentioned capital gains tax refund) to € 219.9 million or € 254.6 million (without consideration of a tax payment of € 34.7 million from the fiscal year 2016).

Cash flow from financing activities in the fiscal year 2018 was dominated by the net repayment of loans totaling € 22.9 million (prior year: assumption of € 138.6 million), the dividend payment of € 170.0 million (prior year: € 159.7 million), and the dividend payment to minority shareholders (mostly 1&1 Drillisch shareholders) of € 75.4 million (prior year: € 0.2 million). Apart from the assumption of loans and dividend payment, cash flow from financing activities in the previous year was dominated by the purchase of treasury shares (€ 77.2 million), and contributions from minority shareholders (€ 427.3 million from the investment of Warburg Pincus in the now Business Applications segment).

Cash and cash equivalents amounted to € 58.1 million as of December 31, 2018 – compared to € 238.5 million on the same date last year.

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

	2014 (IAS 18)	2015 (IAS 18)	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)
Operative cash flow	380.6	554.5	644.2	656.4	889.5
Cash flow from operating activities	454.0[(2)]	533.2[(3)]	587.0[(4)]	655.7[(5)]	482.3
Cash flow from investing activities	-1,349.8	-766.0	-422.7	-897.7	-350.9
Free cash flow[(1)]	386.6[(2)]	300.5[(3)]	423.0[(4)]	424.4[(5)]	254.6[(6)]
Cash flow from financing activities	1,240.9	23.1	-43.2	312.2	-299.5
Cash and cash equivalents on December	50.8	84.3	101.7	238.5	58.1

(1) Free cash flow is defined as cash flow from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment
(2) 2014 without consideration of a capital gains tax payment due to closing-date effects (€ 335.7 million)
(3) 2015 without consideration of a capital gains tax refund (net: € 242.7 million) and including an income tax payment originally planned for the fourth quarter of 2015 (around € 100.0 million)
(4) 2016 without consideration of the aforementioned income tax payment (€ 100.0 million)
(5) 2017 without consideration of a capital gains tax refund originally planned for the fourth quarter of 2016 (€ 70.3 million)
(6) 2018 without consideration of a tax payment from fiscal year 2016 (€ 34.7 million)

Group's asset position

The balance sheet total rose from € 7.605 billion as of December 31, 2017 to € 8.174 billion on December 31, 2018.

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

Current assets increased from € 823.9 million as of December 31, 2017 to € 1,364.7 million on December 31, 2018. *Cash and cash equivalents* disclosed under current assets decreased from € 238.5 million to € 58.1 million due to investments made in connection with the increased use of smartphones for new and existing customers. *Trade accounts receivable* rose from € 290.0 million to € 351.4 million due to closing-date effects and the expansion of business. There was also an increase in *inventories* for forthcoming campaigns from € 44.7 million to € 89.6 million resulting from closing-date effects. The new item contract assets amounting to € 427.0 million includes claims against customers due to accelerated revenue recognition from the application of IFRS 15 in the fiscal year 2018, which were recognized directly in equity at the beginning of the year and since this time amortized at cost. *Current prepaid expenses* rose from €92.3 million to € 224.8 million and mainly comprise the short-term portion of expenses relating to contract acquisition and contract fulfillment according to IFRS 15. *Other financial assets* fell from € 100.3 million (including a refund claim against a pre-service provider) to € 72.8 million. *Income tax claims* increased from € 57.3 million to € 129.6 million.

Non-current assets increased from € 6,781.3 million as of December 31, 2017 to € 6,809.2 million on December 31, 2018. *Shares in associated companies* decreased from € 418.0 million to € 206.9 million as a result of Tele Columbus impairment charges. Due in particular to the subsequent valuation of United Internet's investments, *other financial assets* rose from € 333.7 million to € 348.0 million. *Property, plant and equipment* increased from € 747.4 million to € 818.0 million, while *intangible assets* fell from € 1,408.4 million to € 1,244.6. Mainly as a result of the World4You takeover, *goodwill* rose from € 3,564.1 million to € 3,612.6 million. The new item contract assets amounting to € 168.8 million includes claims against customers due to accelerated revenue recognition from the application of IFRS 15 in the fiscal year 2018. Prepaid expenses increased from € 100.9 million to € 341.2 million and mainly include the long-term portion of expenses relating to contract acquisition and contract fulfillment, as well as prepayments in connection with long-term purchasing agreements. As a result of IFRS 15 accounting, deferred tax assets fell from € 155.2 million to € 10.8 million.

Current liabilities rose from € 1,284.5 million as of December 31, 2017 to € 1,299.7 million on December 31, 2018. Due to closing-date effects and the expansion of business, current *trade accounts payable* increased from € 399.9 million to € 557.7 million. Short-term *bank liabilities* fell from € 248.2 million to € 206.2 million. *Income tax liabilities* rose from € 130.2 million to € 187.9 million. Current contract liabilities of € 154.3 million mainly include payments received from customer contracts for which the performance has not yet been completely rendered. On initial application of IFRS 15 at the beginning of the year, deferred revenue as of December 31, 2017 was recognized as a contract liability where applicable.

Non-current liabilities increased from € 2,272.0 million as of December 31, 2017 to € 2,352.6 million on December 31, 2018. Long-term *bank liabilities* rose from € 1,707.6 million to € 1,733.0 million. Non-current contract liabilities of € 33.8 million mainly include payments received from customer contracts for which the performance has not yet been completely rendered. On initial application of IFRS 15 at the beginning of the year, deferred revenue as of December 31, 2017 was recognized as a contract liability where applicable. The increase in non-current other accrued liabilities from € 33.5 million to € 100.0 million resulted in particular from initial recognition of accruals for termination fees as part of IFRS 15 accounting.

The Group's **equity capital** rose from € 4,048.7 million as of December 31, 2017 to € 4,521.5 million on December 31, 2018. The change mainly reflects the adjustments recognized directly in equity from using the modified retrospective transition method on initial application of IFRS 15 as of January 31, 2018. There was a corresponding rise in the ***equity ratio*** from 53.2% to 55.3%. At the end of the reporting period on December 31, 2018, United Internet held 4,702,990 **treasury shares** (December 31, 2017: 5,093,289).

Net bank liabilities (i.e. the balance of bank liabilities and cash and cash equivalents) increased from € 1,717.3 million as of December 31, 2017 to € 1,881.1 million on December 31, 2018. As in previous years, this temporary increase is due to the dividend payment made in May and the takeover of World4You in August.

Multi-period overview: development of relative indebtedness

	2014 (IAS 18)	2015 (IAS 18)	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)
Net bank liabilities [(1)] / EBITDA	1.79	1.88	1.98	1.37	1.57
Net bank liabilities [(1)] / free cash flow[(2)]	3.42	3.63	3.88	4.04	7.39

(1) Net bank liabilities = balance of bank liabilities and cash and cash equivalents

(2) Free cash flow without consideration of closing-date effects from a capital gains tax payment of € 335.7 million (2014), a capital gains tax refund (net) of € 242.7 million (2015), an income tax payment originally due in the fourth quarter of 2015 of around € 100.0 million (2016), a capital gains tax refund originally planned for the fourth quarter of 2016 of € 70.3 million (2017), and a tax payment from fiscal year 2016 of € 34.7 million (2018)

Further details on the objectives and methods of the Group's financial risk management are provided under point 43 of the notes to the consolidated financial statements.

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

	2014 (IAS 18)	2015 (IAS 18)	2016 (IAS 18)	2017[1] (IAS 18)	2018 (IFRS 15)
Total assets	3,673.4	3,885.4	4,073.7	7,605.2	8,173.8
Cash and cash equivalents	50.8	84.3	101.7	238.5	58.1
Shares in associated companies	34.9	468.4[2]	755.5[2]	418.0[2]	206.9[2]
Other financial assets	695.3	449.0[3]	287.7[3]	333.7[3]	348.1[3]
Property, plant and equipment	689.3	665.2	655.0	747.4[4]	818.0
Intangible assets	385.5	389.5	369.5	1,408.4[4]	1,244.6
Goodwill	977.0	1,100.1[5]	1,087.7	3,564.1[5]	3,612.6[5]
Liabilities due to banks	1,374.0	1,536.5[6]	1,760.7[6]	1,955.8[6]	1,939.1
Capital stock	205.0	205.0	205.0	205.0	205.0
Treasury stock	35.3	26.3	122.5	189.4	174.9
Equity	1,204.7	1,149.8	1,197.8	4,048.7[7]	4,521.5[7]
Equity ratio	32.8%	29.6%	29.4%	53.2%	55.3%

(1) 2017 figures were adjusted retroactively in connection with a final purchase price allocation for a company acquisition
(2) Increase due to investment in Drillisch (2015); increase due to investment in Tele Columbus (2016); decrease due to takeover and consolidation of ProfitBricks and Drillisch (2017); decrease due to Tele Columbus impairment charge (2018)
(3) Decrease due to sale of Goldbach shares and subsequent valuation of shares in listed companies (2015); decrease due to subsequent valuation of shares in listed companies (2016); increase due to subsequent valuation of shares in listed companies (2017); increase due to subsequent valuation of shares in listed companies (2018)
(4) Increase due to Strato, ProfitBricks and Drillisch takeovers (2017)
(5) Increase due to acquisition of home.pl (2015); increase due to Strato, ProfitBricks and Drillisch takeovers (2017); increase due to World4You takeover (2018)
(6) Increase due to increased stake in Rocket, Drillisch investment, and acquisition of home.pl (2015); increase due to Tele Columbus investment (2016); increase due to Strato takeover and increased stake in Drillisch and Tele Columbus (2017)
(7) 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 Group’s business situation

With the exception of the USA and Mexico, the macroeconomic conditions in the main target countries of the United Internet Group deteriorated during the reporting period, compared to the previous year. GDP in Germany – United Internet’s most important market – also only grew by 1.5% – following 2.5% in the previous year. With sales growth of 2.0%, the German ICT market also fell well short of its prior-year growth rate of 3.0%.

With growth of 1.28 million customer contracts to 23.85 million, a 22.0% increase in sales to € 5.131 billion and an improvement in EBITDA of 22.6% to € 1.201 billion, United Internet enjoyed further dynamic growth in fiscal year 2018. With the figures achieved in sales and earnings in fiscal year 2018, United Internet was also able to meet the targets it set itself.

The company’s successful performance – especially when compared with the macroeconomic and sector trends – highlights the benefits of United Internet’s business model based predominantly on electronic subscriptions with fixed monthly payments and contractually fixed terms. This ensures stable and predictable revenues and cash flows, offers protection against cyclical influences and provides the financial scope to win new customers, expand existing customer relationships, and grasp opportunities in new business fields and new markets – organically or via investments and acquisitions.

In the fiscal year 2018, the company once again invested heavily in gaining and expanding customer relationships, as well as in developing new products – thus laying the basis for future growth. In addition to strengthening the foundations for its operational business, United Internet tapped additional opportunities and growth potential with the largely completed integration of the companies it acquired in 2017, Strato, ProfitBricks (now 1&1 IONOS Cloud) and Drillisch (now 1&1 Drillisch), with a variety of synergy effects in both business divisions.

The financial position of United Internet AG remained strong in fiscal year 2018. Despite heavy investment in the increased use of smartphones for new and existing customers in 2018, which will only be amortized in the following periods, free cash flow adjusted for tax effects remained high at € 254.6 million (comparable prior-year figure: € 424.4 million). This once again underlines the Group’s ability to generate very healthy levels of cash while at the same time achieving strong qualitative growth.

As of the reporting date for the annual financial statements 2018, and at the time of preparing this management report, the Management Board believes that the United Internet Group as a whole is well placed for its further development. It regards the financial position and performance – subject to possible special items – as positive and is optimistic about the Group’s future prospects.

2.4 POSITION OF THE COMPANY

Earnings of United Internet AG

As a pure holding company, the earnings position of United Internet AG is usually dominated by its investment and financial result.

In the fiscal year 2018, **sales** of the parent company amounted to € 0.01 million (prior year: € 0.85 million) and result mainly from services rendered to the Group's subsidiaries.

Other operating income amounted to € 147.6 million (prior year: € 1,434.8 million) and mainly results from extraordinary income in connection with the disposal of financial assets totaling € 143.8 million (scheduled exercise of a put option from 2017 for the preferred share of 1&1 Internet Holding SE), as well as from other operating income of € 2.3 million in connection with cost allocations within the Group, and income of € 1.6 million relating to other periods from the reversal of accruals. In the previous year, other operating income of € 1,434.8 million was dominated by extraordinary income of € 1,429.2 million in connection with the sale of shares in 1&1 Internet SE (now 1&1 IONOS SE) to 1&1 Internet Holding SE as part of the investment of Warburg Pincus in this segment, as well as internal Group charges of € 5.0 million.

Adjusted for effects from employee stock ownership programs, **personnel expenses** amounted to € 0.6 million (prior year: € 1.4 million).

Other operating expenses increased to € 36.9 million (prior year: € 13.8 million) and mostly comprise internal Group charges of € 28.7 million (incl. charges for previous years), as well as legal, auditing and consulting fees of € 3.8 million (prior year: € 10.8 million).

Income from profit transfer agreements of € 117.7 million (prior year: € 141.5 million) result from the profit transfers of 1&1 Mail & Media Applications SE amounting to € 93.6 million (prior year: € 100.0 million), and United Internet Corporate Services GmbH amounting to € 24.1 million (prior year: expense of € 10.5 million).

Income from investments amounted to € 209.6 (prior year: € 0) and comprised the dividends of 1&1 Drillisch AG (€ 189.7 million) and 1&1 Internet TopCo SE (€ 19.9 million).

Expenses for loss assumptions of € 263.6 million (prior year: € 10.5 million) mainly related to the compensation expense of United Internet Investments Holding AG & Co. KG amounting to € 222.2 million (prior year: income of € 40.1 million), due especially to the writedown on shares in Tele Columbus AG held by the company, as well as of United Internet Service Holding GmbH amounting to € 41.3 million (prior year: income of € 1.4 million).

The parent company's **result before taxes** amounted to €273.3 million (prior year: € 1,620.3 million).

Income taxes of € 68.4 million (prior year: € 77.9 million) comprise current taxes of 2018 of € 55.8 million (of which € 27.6 million corporation tax and the solidarity surcharge and € 28.2 million trade tax), and € 7.3 million from previous years. In addition, there were expenses from the formation of deferred tax liabilities amounting to € 5.4 million.

The **net income** in the separate financial statements of United Internet AG for the fiscal year 2018 amounted to € 204.9 million (prior year: € 1,542.4 million).

Assets and financial position of United Internet AG

The parent company's balance sheet total rose from € 5,834.0 million on December 31, 2017 to € 6,233.8 million as of December 31, 2018.

Non-current assets of the parent company amounting to € 5,981.3 million (prior year: € 4,952.7 million) were dominated by financial assets. *Shares in affiliated companies* increased to € 3,668.8 million (prior year: € 3,101.0 million). This was mainly due to the Group's internal reallocation of shares previously held by United Internet Investments Holding AG & Co. KG in 1&1 Drillisch AG to United Internet AG, as well as the investment of United Internet AG in the capital reserves of United Internet Service Holding GmbH in connection with the carve-out of Versatel in 2017. *Loans to affiliated companies* rose to € 2,312.5 million (prior year: € 1,851.6 million). The increase results in particular from a loan to United Internet Investments Holding AG & Co. KG in connection with the internal rescheduling of existing short-term cash pooling receivables from the company as long-term loans, as well as a loan to United Internet Service Holding GmbH in connection with the restructuring of the Versatel Group's cash pooling with United Internet Service Holding as the holding company. In addition, there was a loan to 1&1 Internet Holding SE in connection with the purchase of shares in World4You Internet Services GmbH, Linz / Austria.

Current assets of the parent company amounting to € 252.3 million (prior year: € 881.1 million) comprise receivables due from affiliated companies and other assets. The *receivables due from affiliated companies* declined to € 207.1 million (prior year: € 832.0 million). These mainly comprise receivables within the United Internet Group's internal cash management system. *Other assets* disclosed under current assets amounting to € 40.7 million (prior year: € 41.4 million) consist mainly of receivables due from the tax office.

Shareholders' equity of the parent company amounted to € 3,617.3 million as of December 31, 2018 (prior year: € 3,566.7 million). The increase in equity during the reporting period is mainly due to the net income for the year of € 204.9 million, with an opposing effect from the dividend payout of € 170.0 million. The use of treasury shares for employee stock ownership plans resulted in an increase of shareholders' equity of € 15.8 million. As a result of the disproportionately stronger increase in the balance sheet total, the equity ratio fell from 61.1% in the previous year to 58.0% as of December 31, 2018.

The parent company's accruals of € 80.8 million (prior year: € 64.5 million) mainly comprise *accrued taxes*, mostly for previous years, amounting to € 76.9 million (prior year: € 55.0 million) as well as *other accrued liabilities* for employee stock ownership plans, legal, auditing and consulting fees, as well as bonuses totaling € 3.9 million (prior year: € 9.5 million).

The liabilities of the parent company are shaped in particular by liabilities to banks and liabilities due to affiliated companies. Despite the dividend payment and takeover of World4You, *liabilities to banks* decreased to € 1,943.8 million in the fiscal year 2018 (prior year: € 1,952.8 million). Bank liabilities mainly comprise two promissory note loans totaling € 835.5 million, as well as syndicated loans totaling € 1,100.0 million. *Liabilities to affiliated companies* rose to € 575.0 million (prior year: € 233.7 million) and mainly comprise liabilities from balances within the United Internet Group's cash pooling system (€ 272.1 million), from service arrangements (€ 36.6 million), and from profit transfer agreements (€ 263.6 million). *Other liabilities* of € 5.4 million (prior year: € 10.8 million) are mainly sales tax liabilities.

Cash flow of the parent company's financial statements is dominated by cash flows from the profit transfer agreements, as well as the dividends of investments. There was an opposing effect in the fiscal year 2018 from the dividend payment disclosed under financial activities.

Management Board’s overall assessment of the current business situation of the parent company

Due to its role as the Group’s holding company, the economic position of United Internet AG at parent company level is mainly influenced by its investment and financial result. The above statements on the Group’s economic position therefore also apply qualitatively for United Internet AG itself.

2.5 SIGNIFICANT NON-FINANCIAL PERFORMANCE INDICATORS

United Internet AG believes that its entrepreneurial activities are not solely restricted to the pursuit and implementation of economic objectives, but also involve a commitment and responsibility towards society and the environment. United Internet assumes this responsibility in a variety of ways. The most important aspects with regard to the management report, sustainable business policy, employees, green IT, and social responsibility, are summarized in the following sections.

Further information on these and other sustainability topics are included in the Non-Financial Statement 2018 (Sustainability Report) of United Internet AG – based on the Global Reporting Initiative (GRI) framework – which will be published on April 11, 2019 at https://www.united-internet.de/investor-relations/publikationen/berichte.html.

Sustainable business policy

United Internet AG is committed to pursuing a sustainable business policy. This sustainability is illustrated in particular by its high level of investment in customer relationships, in customer satisfaction, in service, product and network quality, in security and data privacy, and in customer trust / recommendation behavior and– and thus also in sustainable growth.

Customer relationships

In its fiscal year 2018, United Internet once again invested heavily in customer growth and raised the number of fee-based customer contracts organically by 1.03 million. Including the takeover of World4You, the number of fee-based customer contracts grew by as much as 1.28 million auf 23.85 million (prior year: 22.57 million).

Apart from these customer contracts in the reported product lines, United Internet holds a further 0.41 (prior year: 0.47) million contracts without basic monthly fees and service provider contracts (volume-based tariffs / MSP tariffs), as well as 0.06 (prior year: 0.11) million broadband connections in the phased-out T-DSL / R-DSL product lines.

In addition to these fee-based contracts, United Internet also operates 37.00 (prior year: 35.67) million active free accounts at its data centers that are refinanced via advertising revenue.

In total, therefore, United Internet manages 61.32 (prior year: 58.89) million customer accounts globally.

Over the past few years, the high-value contracts with basic fee of the reported product lines have been greatly expanded, while the less valuable contracts with no monthly fee and the old contracts with T-DSL and R-DSL have been reduced (exception: 2017 due to 0.49 million contracts without basic monthly fee / old contracts resulting from the Drillisch takeover). The number of customer relationships via ad-financed free accounts – which also offer United Internet important potential for up- and cross-selling – were steadily improved over the past years.

Multi-period overview: development of customer relationships
(Growth in million)

	2014(1)	2015(2)	2016	2017(3)	2018(4)
Contracts with basic fees	+ 1.41	+ 1.25	+ 1.06	+ 6.10	+ 1.28
Contracts without basic fees / old contracts	- 0.08	- 0.06	- 0.06	+ 0.40	- 0.11
Free accounts	+ 0.61	+ 1.03	+ 1.14	+ 1.13	+ 1.33
Total customer accounts	+ 1.94	+ 2.22	+ 2.14	+ 7.63	+ 2.50

(1) Including 0.42 million contracts with basic fees from the takeover of Versatel
(2) Including 0.34 million contracts with basic fees from the takeover of home.pl and an opposing 0.08 million from contract streamlining
(3) Including 3.35 million contracts with basic fees and 0.49 million contracts without basic fees / old contracts from the takeover of Drillisch as well as including 1.87 million contracts with basic fees from the takeover of Strato
(4) Including 0.25 million contracts with basic fees from the takeover of World4You

Customer satisfaction

In addition to attracting new customers, retaining existing customers and customer loyalty are the most important factors for expanding our customer base. The key control criterion for United Internet is customer satisfaction. We have therefore established structures and processes in our (mass market) segments Consumer Access, Consumer Applications and Business Applications in order to continuously and sustainably measure, analyze and ultimately improve customer satisfaction with the aid of key performance indicators (KPIs). Customer surveys, market research and analyses, e.g. of postings on social media platforms, are carried out on a regular basis in order to collect feedback from customers.

Depending on the segment, customer satisfaction is measured and controlled using various KPIs such as customer sentiment or the recommendation rate / net promoter score (NPS).

The findings from these customer satisfaction analyses are used to identify areas for improvement and then translated into concrete measures to increase customer satisfaction (e.g. in the field of service or product quality).

As of October 2018, for example, all customers of the 1&1 IONOS brand have the opportunity to contact a personal consultant free of charge as a central point of contact for all questions relating to products, their contracts and their online business success. In this way, 1&1 IONOS can accompany companies through all phases of their development – from registering a domain and setting up a first website, to setting up shop systems and dedicated servers, to using enterprise cloud infrastructures. In addition, companies have the opportunity to use numerous cloud applications that support their business.

Service quality

As part of the above measures, United Internet has also invested heavily in service quality over the past years, e.g. with the introduction of the so-called 1&1 Principle and further constant enhancements to it.

With the 1&1 Principle, broadband and mobile internet customers are given five clear product-related performance promises. These include, for example, a one-month test phase and highly available expert hotline, delivery of the ordered product within one working day or on-site replacement of faulty equipment on the next working day.

As of the past year, the 1&1 Replacement Service offers additional all-round protection: in the event of damage, customers receive a new – and identical – mobile phone within 24 hours. If the model is not available, in exceptional cases, an equivalent smartphone is immediately delivered.

Since September 2018, this premium service has been free of charge for customers and included in all Mobile 1&1 All-Net Flat tariffs with smartphone on signing the contract. The special feature is that the 1&1 Replacement Service goes beyond the usual device warranty and also covers self-caused damage, such as water damage or screen breakage. This all-round protection is valid for the entire minimum term.

The excellent scores achieved in customer service surveys during 2018 are proof that the investments in service quality are paying off.

As in previous years, the German newspaper DIE WELT, together with ServiceValue, systematically examined the service quality of German companies from the customer's point of view in 2018. ServiceValue is a Cologne-based analysis and consulting company specializing in relationship management between companies and stakeholders. Service ranking from the customer's perspective is based on the scientifically proven Service Experience Score (SES). This percentage value is determined in the same way as the well-known polling question "Which party would you vote for if the election were held this Sunday" and represents a clear, understandable and efficient measuring instrument. As part of the SERVICE CHAMPIONS 2018 study (published in October 2018), customers were asked to judge the best companies with regard to service experienced from a total of 3,016 companies from 327 different industries.

The United Internet brand 1&1 (Consumer Access segment) won the "No. 1 in Customer Service Experience" award in both the "Telecommunications" and "Internet Provider" (DSL) sectors.

Other sector winners were the United Internet brands GMX (Consumer Applications segment) in the "E-mail Provider" sector and Strato (Business Applications segment) – for the fifth time in a row – in the "Web Hosting Provider" sector.

The United Internet brand 1&1 Versatel (Business Access segment) is one of the most popular telecommunications service providers for small to mid-sized companies (SMEs). This was proven by a ranking of the German magazine WirtschaftsWoche (published in February 2018). In cooperation with ServiceValue, WirtschaftsWoche identified – for the third year now – the most popular service providers of Germany's SMEs. More than 6,000 decision-makers, buyers and users of SMEs were surveyed. In addition to general customer satisfaction, seven other categories – such as consulting, value for money and service quality – were evaluated. Overall, customer ratings were obtained for 267 providers from 28 industries. 1&1 Versatel achieved very good results in two categories (Telecommunications Telephony/Internet and Telecommunications Telephony/Internet/Mobile), finishing second in each category.

The test results for 1&1 customer service in Spain and France (Business Applications) illustrate that these excellent service ratings are not limited to Germany. In Spain, the 1&1 hotline won the coveted service award "Elegido servicio de atención al cliente" in the "Hosting" category for the fifth time in a row in October 2018. The 1&1 hotline in France also won the "Élu Service Client de l'Année" award for the best customer service in the "Hosting" category in October 2018.

Product quality

The product quality and value-for-money of the United Internet brands also received various accolades in the fiscal year 2018.

In 2018, for example, the 1&1 IONOS Cloud Server was named winner in the benchmark test of the US analysts Cloud Spectator (published April 2018). In this test, the cloud offerings of the largest and most important providers in North America, such as IBM Cloud, Amazon Web Services and Microsoft Azure, were examined with regard to their cost-benefit ratio. 1&1 IONOS was the overall winner with the highest possible “CloudSpecs Score” of 100. 1&1 IONOS won in North America for the third time in a row. In Europe, 1&1 IONOS achieved second place with a “CloudSpecs Score” of 82 (published in June 2018).

The Enterprise Cloud of 1&1 IONOS was rated by the analysts of CRISP Research as one of the market leaders (“Accelerator”) in the highly promising cloud market “Cloud Platforms – IaaS & PaaS” by the analysts of CRISP Research and is thus ranked in the same category as the US heavyweights Amazon Web Services, Microsoft Azure and Google. The evaluation criteria of the Crisp Vendor Universe are divided into two main categories, “Service/Product Value Creation” and “Vendor Performance”. The “Service/Product Value Creation” category focuses on market maturity. “Vendor Performance” examines providers in the cloud computing market environment in terms of their presence and market strategy.

Network quality

In terms of network quality, the United Internet brand 1&1 came second in the prestigious broadband and landline network test of the respected German specialist magazine “connect” (published in August 2018) with a score of 441 from a maximum 500 points (prior year: first place). 1&1 was the only nationwide provider – apart from Deutsche Telekom with 447 points – to receive an overall rating of “Very Good”, putting it ahead of competitors such as Unitymedia, O_2/Telefónica and Vodafone, who were all rated “Good”.

“connect” holds its test annually and in 2018 checked the test connections of all well-known providers in the categories Voice, Data, Web Services and Web TV. The landline test was conducted in three bandwidth classes for the second time in 2018. In doing so, “connect” aims to reflect the actual market distribution more accurately. Class 1 comprises connections with speeds of up to 20 Mbit/s (downstream), Class 2 is for 20 to 100 Mbit/s, and Class 3 for 100 Mbit/s and more.

1&1 uses the fiber-optic network of its sister company 1&1 Versatel for the realization of broadband connections. At locations where the network is not yet available, 1&1 cooperates with other telecommunications companies. 1&1 provides its telephony services via its own voice-over-IP (VoIP) platform, which has proven its reliability for over 10 years now and is constantly being enhanced.

The latter once again impressed in the test with “very good” landline voice services. 1&1 also achieved “very good” in the categories Data and Web Services.

The landline test was carried out on behalf of “connect” by zafaco GmbH. According to “connect”, about 4.4 million measurements were carried out on 96 test connections at 48 locations throughout Germany over a period of around four weeks. The test connections automatically initiated voice and data transfers. The test analyzed such categories as voice quality, data and error rates, response times and video quality.

Security and data privacy

With the launch of the “E-Mail made in Germany” initiative in 2013 (in cooperation with a network also comprising Deutsche Telekom and freenet), United Internet’s e-mail services GMX and WEB.DE also offer customers high standards with regard to the security and privacy of e-mail communication. This includes the encrypted transmission of all e-mails on all network routes, the processing and storage of all data in Germany according to German data protection regulations and the identification of secure e-mail addresses within the e-mail applications.

As of April 2014, only SSL keys certified in Germany are used within the “E-Mail made in Germany” network and all transmission routes are fully encrypted. As an important enhancement of the security standard “E-Mail made in Germany”, GMX and WEB.DE developed an encryption system based on the globally recognized “Pretty Good Privacy” (PGP) standard in 2015. The new e-mail security level works on all commonly used devices, is provided free to all customers of the two mail services, and is compatible with all previous PGP applications. In 2016, the PGP solution of GMX and WEB.DE was also rolled out in the foreign markets of France, Spain and the UK via the international e-mail brand mail.com.

Following end-to-end encryption for e-mails in the past few years, GMX and WEB.DE also rolled out end-to-end encryption for the cloud content of its customers in the fiscal year 2017. In addition to the automatic uploading of photos from smartphones to the cloud and improved publishing and sharing functions, security has also been stepped up: all users of WEB.DE and GMX in Germany, Austria and Switzerland (DACH) can use their “safe” for free end-to-end encryption of their cloud data, thus offering protection from third parties. As a result, the portal brands are strengthening their “Cloud Made in Germany” initiative and clearly differentiating themselves from non-European solutions.

In 2018, GMX and WEB.DE introduced a new protection against calendar spam – still a relatively new phenomenon. Spammers send fake appointment invitations to the mailbox and the digital calendar. GMX and WEB.DE allow customers to report and delete calendar spam. By clicking on a new “spam” button, the fake invitations with advertising, supposed discounts, or links to malware and phishing sites are deleted from the inbox.

Customer trust / recommendation behavior

A high level of service, product and network quality combined with high standards of security and data privacy also have a positive impact on the aspect of customer trust and ultimately on the recommendation behavior of customers.

For example, the United Internet brand GMX is the e-mail provider which Germans trust most. This was the result of a survey (published in September 2018) commissioned by the German magazine WirtschaftsWoche in which GMX once again received the “Highest Customer Trust” rating. Starting in 2014, WirtschaftsWoche has been examining the trust of German consumers in various companies once a year, in conjunction with ServiceValue. The results are published in “Germany’s Largest Trust Ranking”. In 2018, around 330,000 customers of 1,134 companies in 88 sectors were interviewed. 81.3% of all respondents stated that they trusted GMX. For the fourth year running, GMX has thus taken first place in this ranking of e-mail providers and achieved a score in 2018 which was 16.2% above the average for all e-mail providers (65.1%). The survey’s academic advisor is the Psychology Institute of Goethe University Frankfurt/Main.

Together with ServiceValue, Focus Money conducted a large-scale customer survey in 2018 on the recommendation behavior of customers across 78 industries and over 1,000 companies (published in June 2018). ServiceValue applied its scientific method to evaluate some 460,000 customer opinions. The recommendation rates for GMX and WEB.DE not only put them in first and second place in the category “E-Mail”, but also second and third place in the global ranking of all 1,000 companies.

Employees

The internet sector is a highly dynamic and globally networked industry with short innovation cycles. United Internet AG has risen to these challenges with great success over many years now. One of the key factors for the success and growth of the United Internet Group are its dedicated and highly competent employees and executives with their entrepreneurial and autonomous approach to work. The company therefore attaches great importance to a sustainable and balanced strategy across all aspects of its HR activities: from employee recruitment, to targeted entry-level and vocational training formats, tailored skills training programs, support with individual career paths, through to sustainable management development programs and the retention of high potentials and top performers.

United Internet AG was once again recognized as a top employer in 2018. Based on an independent study of the “Top Employers Institute”, United Internet received the “TOP Employers Germany” award – as in the preceding years. Certification is only awarded to organizations which offer staff attractive working conditions. Assessment is based on career opportunities, employer benefits, working conditions, training and development opportunities, and the corporate culture.

Headcount and key figures

In the highly competitive market for skilled workers in the ICT sector, United Internet once again succeeded in recruiting top staff for its key positions and thus meeting the needs of its growing business. In addition to targeted employer branding, partnerships with education and training providers, and the positive impact of the company’s product brands on candidates, our successful recruitment efforts center around a candidate-friendly, highly competitive acquisition and selection process and the efforts of our executives.

Compared to the previous year, there was a slight decline in headcount in the fiscal year 2018. Specifically, the number of employees decreased by 3.4% to 9,093 (prior year: 9,414). The main reason was the sale of yourfone Shop GmbH with around 100 physical stores at the turn of the year 2017/2018.

Due in particular to the above mentioned sale of yourfone Shop GmbH, headcount in Germany fell by 4.1% to 7,567 as of December 31, 2018 (prior year: 7,890). The number of employees at the Group’s non-German subsidiaries was virtually unchanged at 1,526 (prior year: 1,524).

From the segment perspective, there were 3,150 employees in the Consumer Access segment (prior year: 3,457), 1,095 in the Business Access segment (prior year: 1,069), 947 in the Consumer Applications segment (prior year: 961), and 3,355 in the Business Applications segment (prior year: 3,586). A further 546 people were employed at the Group’s headquarters (Corporate/HQ) (prior year: 341). The strong increase in Corporate/HQ staff resulted in part from the transfer of employees from the Business Applications segment who already worked in corporate functions in the past, but mainly from pooling apprentices in a specially created Corporate/HQ company.

Multi-period overview: headcount development by location [(1)]

	2014	2015	2016	2017	2018	Change over 2017
Employees, total	7,832	8,239	7,897	9,414	9,093	- 3.4%
thereof in Germany	6,168	6,502	6,322	7,890	7,567	- 4.1%
thereof abroad	1,664	1,737	1,575	1,524	1,526	+ 0.1%

(1) Active employees as of December 31 of the respective fiscal year

Multi-period overview: headcount development by segment [(1)]

	2014	2015	2016	2017	2018	Change over 2017
Employees, total	7,832	8,239	7,897	9,414	9,093	- 3.4%
thereof Consumer Access			2,401	3,457	3,150	- 8.9%
thereof Business Access			1,077	1,069	1,095	+ 2.4%
thereof Consumer Applications			978	961	947	- 1.5%
thereof Business Applications			3,243	3,586	3,355	- 6.4%
thereof Corporate/HQ			198	341	546	+ 60.1%

(1) Active employees as of December 31 of the respective fiscal year; as the new segmentation was only carried out as of the annual financial statements 2018, the segment breakdown is limited to the fiscal years 2016 - 2018

Due in particular to the acquisition of Strato, ProfitBricks and Drillisch in the course of 2017, **personnel expenses** rose by 10.2% to € 538.8 million in fiscal 2018 (prior year: € 489.0 million). By contrast, the personnel expense ratio fell strongly to 10.5% (prior year: 11.6%), as consolidated sales rose even faster by 22.0% – due also to the full-year consolidation of the above mentioned companies and first-time accounting according to IFRS 15.

Multi-period overview: development of personnel expenses
(in € million)

	2014	2015	2016	2017	2018	Change over 2017
Personnel expenses	351.7	429.7	433.8	489.0	538.8	+ 10.2%
Personnel expense ratio	11.5%	11.6%	11.4%	11.6%	10.5%	

Sales per employee, based on annual average headcount, amounted to approx. € 555k in fiscal year 2018 (prior year: approx. € 486k). The reason for this significant increase was also the above mentioned strong rise in sales.

Targeted staff support and ongoing development

In order to keep pace with or even anticipate new technologies, competitive ideas and market trends, it is important to continuously develop the company's employees. Pooling and retaining knowledge in-house requires a sustainable policy for aligning the company and market requirements for various functions with the individual career objectives and prospects of staff.

United Internet attaches great importance to giving all employees at all locations – regardless of departments and functions – the same opportunities for development. A transparent, group-wide framework for staff development was therefore defined from an early stage. The range comprises standard programs and support measures, as well as various function-based offerings which are tailored to the respective employee and skills profile. Specifically, this involves a gradual assumption of responsibility and an expansion of competencies within the specific field of work function – from beginner to expert.

Staff are supported both in their daily work ("on the job") as well as with targeted training measures. United Internet is also moving with the times in this respect by offering a wide range of training via a digital platform (1&1 Campus) in addition to the existing program. Everybody recognizes it on a day-to-day basis: learning is no longer restricted to school and vocational education. Social, economic and above all technological developments both call for and enable a permanent learning process. This platform offers flexible learning opportunities, a wide range of formats, easy usage possibilities, and requires users to display a high degree of inner drive during the learning process.

In addition to vertical development paths, horizontal development is also possible between different functions. In addition, the organization's permeability allows transfers between products or segments and thus enables the interdisciplinary development of employees.

For employees who have reached the highest competency level ("senior") for their respective function and would like to assume more responsibility for a special topic or in a management role, the company offers two career models: the "management track" and the "expert track". Whereas employees choosing the "management track" gradually assume more and more staff responsibility, "experts" have a high degree of specialist knowledge. However, they have no direct line responsibility, but are top performers, "know-how owners", and advisors on strategic questions in their specific field and act as multipliers for their knowledge inside and outside the company. Both the management and expert tracks are "permeable", i.e. horizontal movement is also possible and an expert can become a manager and vice versa.

Discovering and nurturing potential and performance from an early stage

With the aid of junior management programs, such as the 1&1 Graduate Program, United Internet develops young talents fresh from university from an early stage. The main target is to be able to recruit and train future managers and specialists from within the company.

Further development programs are offered for staff with exceptional abilities and potential in all areas of the company. Such employees are then accompanied through a structured program of individual development and training plans in order to prepare them for their future personal challenges, and those of the company (MyWay+ and Senior+ for staff at Advanced/Senior level as well as the revamped 1&1 MOVEforward for "Entrepreneurial Types" at Manager and Expert level).

Specialist training by colleagues for colleagues

A particular training-on-the-job initiative in the United Internet Group's technical divisions is the TEC campus, which is now in its fifth, highly successful year. TEC Campus comprises a series of lectures ("Business Academy"), training on tools, processes and methods, as well as e-learning, and two internal conferences, the cross-national and cross-locational TECDays. The program and content are jointly designed by Technology and HR staff in coordination with the Management Board member responsible for "Technology". The aim is to create a framework in which staff can benefit from their mutual knowledge and networks.

PASK (Project/Agile/Scrum/Kanban methods) is a conference on all aspects of agility: technologies from development and operations are discussed here twice a year. Both events feature lectures and interactive formats, such as workshops, discussion rounds and open spaces. The wide-ranging topics and intensive pooling of topics within two days attract colleagues from all locations and departments and help expand networks and experience.

Thanks in part to the measures described above, the United Internet Group was able to recruit around 65% of managers from within its own ranks in fiscal year 2018.

Training held in high regard

The United Internet Group also attaches great importance to apprenticeships and initial vocational training. The company trains young people to meet its future needs and offers them a successful start to their professional lives. The company currently offers apprenticeships in commercial and technical professions, including IT specialist (application development/systems integration), IT systems clerk, dialogue marketing clerk, marketing communication clerk, and office management clerk. In cooperation with Baden-Wuerttemberg Cooperative State University (Duale Hochschule Baden-Württemberg - DHBW), United Internet also offers degree courses in Computer Sciences, Information Management, Accounting, Tax & Law/Accounting & Controlling, Business Administration/Marketing Management, and Business Administration/Digital Business Management at the universities of Karlsruhe, Stuttgart and Mannheim.

During their three-year training or DHBW studies, all participants experience a wide variety of different company departments. During these periods, they are fully integrated into the respective teams and daily processes. The apprentice workshops at the facilities in Karlsruhe and Montabaur have proved especially successful. Technical apprentices in particular spend part of their training period in the workshops in order to learn the basics for their later careers as early as possible. In addition to the provision of technical and methodological skills, the Company also attaches great importance during training to behavior compliant with its corporate culture. The internalization of corporate culture, expertise, methodological skills and behavior in line with the corporate values form the basis for a successful transition to the post-training period. Many of those trained by the United Internet Group are thus ideally prepared for the transition to full-time employment.

In order to secure the number of high-caliber apprentices in spite of dwindling school-leaver numbers, United Internet is now starting its efforts even earlier: in addition to initial cooperation and school events, the Company has also been offering one-on-one career advice for some time now. This service is also being used increasingly by the children of our employees. On specific information days, trainers provide information on apprenticeships and career opportunities within the Company and are also available to give advice. In addition, internships are also offered to schoolchildren to give them an insight into working life.

At the beginning of the apprenticeship years 2016, 2017, and 2018 a total of 27 refugees were given the opportunity of a future career with an apprenticeship contract. Around 239 young people were serving their apprenticeships with Group companies at year-end 2018. After successfully passing their examinations, United Internet endeavors to take on as many apprentices as possible and to make an attractive job offer to every graduate. In fiscal year 2018, 58 apprentices and DHBW students were given full-time jobs. In 2019, the first 8 refugees are expected to successfully complete their apprenticeships.

As part of the "Fair Company Initiative", United Internet is committed to providing fair conditions for interns and thus guaranteeing a high level of benefit from their internships. In addition to adequate financial compensation, interns receive dedicated personal support from their respective departments and HR. Interns and former interns regularly emphasize this aspect and stress the high learning effect achieved during their internships. Internships are offered every year for students of IT, Product Management and Online Marketing, as well as in the field of Finance and HR.

United Internet is also a sponsor of the “Germany Scholarship” program, in which companies and the state play an equal role in promoting future graduates and helping them complete successful and challenging degree courses. The scholarship program supports students whose achievements promise future excellence in their studies and careers. Since the program was launched in 2011, United Internet has sponsored students at the two elite universities LMU and TU Munich. However, United Internet does not limit its activities to financial support, but also offers the current five students personal mentoring by colleagues in the respective departments. This often leads to internships or jobs as working students.

Diversity

Without the individual strengths of its employees, United Internet would not be what it is today – an internationally successful, innovative company on track for growth. United Internet attaches great importance to the constructive use of diversity management and the handling of social differences between its employees.

The United Internet Group’s corporate culture is based on mutual respect and a positive attitude toward individual differences with regard to culture, nationality, gender, age, religion, sexual orientation and disability – in other words, everything that makes the company’s employees unique and distinctive. A work force composed of diverse personalities offers ideal conditions for creativity and productivity. The resulting potential for new ideas and innovation strengthens United Internet’s competitive position and enhances its opportunities in future markets. In accordance with this principle, the company strives to find the field of activity and function for each employee which allows them to fully exploit their individual potential and talents. In addition to productivity, diversity also helps raise the general level of satisfaction among employees. These are key reasons for many applicants to select their future employer. As United Internet’s customers also have a wide variety of needs and wishes, they appreciate a business partner who can live up to their own diversity.

However, the promotion of diversity is not simply a one-size-fits-all solution. Employees and applicants are recruited, employed and promoted on the basis of objective criteria, such as skills, aptitude and expertise. In corporate divisions in which women are structurally under-represented, United Internet seeks to raise their representation provided they have the same qualifications, skills and suitability. However, the company always decides on a case-by-case basis.

Since this year, the development of women in United Internet companies has been supported by a structured planning of activities such as lectures, collegial case consulting, topic-related exchange groups, and individual measures such as coaching or mentoring.

Multi-period overview: employees by gender

	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018
Women	33%	34%	34%	31%	32%
Men	67%	66%	66%	69%	68%

The average age of the United Internet Group’s employees at the end of fiscal year 2018 was around 38 (prior year: 39).

Multi-period overview: employee age profile

	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018
< 30	32%	27%	28%	24%	26%
30 – 39	43%	40%	41%	36%	38%
40 – 49	20%	25%	23%	27%	25%
≥ 50	5%	8%	8%	13%	11%

Employees of United Internet AG work in an international environment at some 40 sites around the world.

Multi-period overview: employees by country

	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018
Employees, total	7,832	8,239	7,897	9,414	9,093
thereof Germany	6,168	6,502	6,322	7,890	7,567
thereof France	46	25	3	3	3
thereof UK	227	234	209	232	216
thereof Austria	7	8	6	5	37
thereof Philippines	450	390	386	366	351
thereof Poland	6	263	258	251	270
thereof Romania	264	229	194	174	176
thereof Spain	341	339	322	319	331
thereof USA	300	239	197	174	142
thereof Other	23	10	0	0	0

Green IT

In the wake of the global climate debate and rising energy consumption, the term "Green IT" is often used in the computer industry. The term basically comprises all measures that contribute toward reducing a company's CO_2 emissions and energy consumption.

The ICT sector makes a significant contribution to global added value and is thus a strong economic factor. At the same time, it also emits a significant amount of CO_2 and consumes a lot of electricity. For internet service providers like United Internet, this applies in particular to the data centers where millions of cloud applications are managed for private and commercial users.

We have been using electricity from renewable sources for our data centers in Germany for more than ten years now. In all countries in which we operate data centers, e.g. the USA, the UK and Spain, we now use a mix of renewable energies and CO_2 offsetting via the use of certificates. This enables the climate-neutral operation of our data centers.

We also attach importance to using renewable energy from geographically adjacent regions, i.e. mostly in the same country or in a nearby area (e.g. the Alpine region).

The main elements of our energy-saving efforts at data centers around the world are:

- An optimized cooling system: depending on the data center, direct or indirect free cooling is used. In the case of direct free cooling, the air in the building is used to cool IT systems; in the case of indirect free cooling, only outdoor air is used. In both cases, the use of energy-intensive compressor cooling is minimized.
- The server hardware: a proportion of our servers are built-to-order for United Internet. We leave out unnecessary components and specify, for example, energy-saving processors and power supplies with low heat loss. This means that less heat is radiated and data rooms do not have to be cooled as intensively.
- The software used: the web hosting system used by United Internet is our own highly optimized development, based on Linux. The modification enables us to manage the data of several thousand customers on a single computer and at the same time and thus utilize our resources as sensibly as possible.
- The virtualization: the server hardware used in data centers is often only utilized at an average rate of 15% to 25%. With the aid of virtualization, efficiency can be increased significantly – thus saving energy.
- The use of containers: containers further optimize the virtualization principle by dispensing with redundant operation of the operating system kernel. Instead, it is shared by all instances. This also enables even stronger "elastic" load-dependent scaling of the IT resources provided. Containers are used both in internal operations and as customer products.

Social responsibility

United Internet for UNICEF Foundation

The United Internet for UNICEF Foundation was set up by Ralph Dommermuth in September 2006 as an independent foundation under German civil law. It primarily supports projects of UNICEF, the United Nations Children’s Fund.

Projects are carefully selected from the wide range of UNICEF topics and presented on the high-reach portals of the United Internet Group (1&1, GMX und WEB.DE) in order to attract as many donors as possible – for the particular project or as sustaining members of UNICEF. During emergency situations, such as the earthquake and tsunami on Sulawesi (Indonesia) in September 2018, newsletters can reach over 30 million people within 24 hours and thus facilitate the effective collection of donations.

In 2018, the Foundation mostly supported the ongoing crisis regions of the Democratic Republic of Congo and Yemen. It also promoted projects in India and launched an emergency mailing for the victims of the earthquake and tsunami on Sulawesi. In 2018 alone, for example, United Internet for UNICEF provided € 160,000 for the Congo and over one million euros for Yemen. Thanks to the tremendous donation response, the Foundation was able to quickly provide UNICEF with almost € 450,000 for emergency aid in Indonesia.

The single or repeat donations gained via United Internet’s portals are passed on 100% to UNICEF – thanks to the voluntary work of all foundation staff.

There were several reasons for us to set up a foundation devoted principally to supporting UNICEF:

- UNICEF makes a sustainable improvement to the lives of children. True to the principle of “Helping People Help Themselves”, UNICEF develops national programs around the world focusing on education, health, AIDS and child protection. UNICEF involves the local population in its development work and supports them in such a way that they can look after themselves and their children.
- UNICEF provides long-term aid, but also offers fast and reliable help in emergency situations. In the wake of earthquakes, floods or wars, UNICEF provides children with clean drinking water and drugs, sets up provisional schools and offers psycho-social care. UNICEF can draw on its many years of experience and global presence.
- UNICEF imposes strict controls on the use of donations. Both the UNICEF representatives in the program countries and the local partners are regularly inspected to ensure that funds are being used exactly as planned.

As a result of the Foundation's appeals, over € 3.5 million (prior year: € 3.9 million) could be collected in donations in the fiscal year 2018 – according to preliminary figures. Since its creation, the foundation has so far collected € 42.9 million. As of December 31, 2018, there are around 12,750 active sustaining members of UNICEF (prior year: 12,327).

Further information on the United Internet for UNICEF foundation can be found online at www.united-internet-for-unicef-stiftung.de.

“1&1 Welcome”, “1&1 Language”, “1&1 Fit for Job”, “We Together” initiative

In addition to the United Internet for UNICEF foundation, the United Internet Group has been active since 2015 in various activities to promote the sustainable integration of refugees in Germany on the three levels which typify United Internet: with its employees, as an employer and via the company’s products. The measures have been constantly adapted to the respective current needs of refugees over the past few years.

Several hundred United Internet employees work as volunteers in local projects as part of the “1&1 Welcome” campaign. Together with local organizers, our employees offer regular activities to facilitate the transition into everyday German life, such as sports activities, playing music together, day trips and childcare. In a second step, “1&1 Language” was set up at centers near refugee homes to offer German language courses.

Since March 2016, the main focus of activities has been a training program to prepare refugees for the German labor market. The “1&1 Fit for Job” program provides courses in addition to those offered by the state and local authorities. The measures focus on preparation for apprenticeships, support during apprenticeships, and assistance with reintegration into the work environment. At United Internet’s facilities in Montabaur, Karlsruhe and Munich, a modular program gives participants a general overview of office work, the cultural environment, and possible careers at the company, as well as hands-on training units on job applications and PC skills. All courses are held by company employees, who can devote up to 10% of their working hours to the program.

Graduates of this program will then also be offered internships or entry-level jobs. Armed with the knowledge from this training program, graduates are able to successfully apply for jobs at German companies – whether at United Internet or other employers. United Internet also organizes network meetings at various locations to share its experiences with other companies.

Over 310 refugees and immigrants have so far participated in the program at our sites in Montabaur, Karlsruhe and Munich. More than 120 participants subsequently completed an internship at companies of the United Internet Group and 27 are currently doing apprenticeships. Four graduates have since been given full-time employment. Around 190 employees volunteer to act as trainers, sponsors, and internship assistants in the “Fit for Job” program, in addition to their daily work.

With its various programs, United Internet is also active in the “We Together” initiative, in which over 230 companies pool their integration activities and exchange notes on their experiences.

3 SUBSEQUENT EVENTS

The management board of 1&1 Drillisch AG, a subsidiary of United Internet AG, decided on January 24, 2019, with the consent of its supervisory board, to apply for admission to the auction on the allocation of mobile frequencies in the 2 GHz and 3.6 GHz frequency bands ("5G spectrum auction") in accordance with the decision BK1-17/001 with the German Federal Network Agency ("Bundesnetzagentur") and, in the event of a successful acquisition of spectrum at the auction, to establish and operate a 5G mobile network. The applicant was Drillisch Netz AG, a wholly-owned subsidiary of 1&1 Drillisch AG. The company is confident that this step will establish the basis for a successful and lasting positioning of the 1&1 Drillisch Group as the fourth mobile network operator in Germany, and make a substantive contribution to enabling Germany to become Europe's leading 5G market. On February 25, 2019, the Bundesnetzagentur granted admission to the auction, which started on March 19, 2019.

On January 24, 2019, 1&1 Drillisch also agreed its own credit lines of € 2.8 billion with a European bank consortium – in addition to its intra-group credit lines with United Internet AG. These credit lines are available to 1&1 Drillisch in addition to available liquidity and its sustainable cash flows from operating activities.

There were no other significant events subsequent to the end of the reporting period on December 31, 2017 which had a material effect on the financial position and performance or the accounting and reporting of the parent company or the Group.

Information on the economic position of the Group and company at the time of preparing this Management Report are provided under point 4.3 in the "Forecast report".

4 RISK, OPPORTUNITY AND FORECAST REPORT

The risk and opportunity policy of the United Internet Group is based on the objective of maintaining and sustainably enhancing the company's values by utilizing opportunities while at the same time recognizing and managing risks from an early stage in their development. A risk and opportunity management system which is "lived" ensures that United Internet AG can exercise its business activities in a controlled company environment. The risk and opportunity management system regulates the responsible handling of those uncertainties which are always involved with economic activity.

4.1 RISK REPORT

Risk management

The concept, organization and task of United Internet AG's risk management system are defined by the Management Board and Supervisory Board and documented in a risk management strategy and risk management manual which is valid for and available to all members of the Group. These requirements are regularly adapted to changing legal conditions and continuously developed. Corporate Risk Management coordinates the implementation and ongoing development of the risk management system and is responsible for the centrally managed risk management process on behalf of the Management Board.

Corporate Risk Management is supported by the risk management teams of the respective segments (Company Risk Management). In order to support Company Risk Management, additional local risk managers have been installed in business fields of particular importance for the company's business success (such as the areas "Technology & Development"). In order to facilitate the group-wide exchange and comparison of risk information, regular Risk Manager Meetings are held between the various risk managers and also with the company-wide, cross-functional managers.

The Corporate Audit department regularly examines the functioning and efficiency of the risk management system. As part of his statutory auditing obligations for the annual financial statements and consolidated financial statements, the external auditor also examines whether the risk early recognition system is generally suitable for the early identification of risks and developments which might endanger the company so that suitable countermeasures can be swiftly introduced. The system complies with statutory requirements regarding risk early recognition systems, as well as with the German Corporate Governance Code. Its design is based on the specifications of the international ISO standard ISO/IEC 31000:2018. In accordance with the regulations of the German Stock Corporation Act, the Supervisory Board also examines the efficacy of the risk management system.

Methods and objectives of risk management

The risk management system comprises those measures which enable United Internet AG to identify, classify in terms of money and scenario, steer and monitor from an early stage all possible risks for the attainment of its corporate objectives with the aid of assessments and early warning systems. The aim of the group-wide risk management system is to provide maximum transparency for management regarding the actual risk situation, its changes and the available options for action so that a conscious decision can be taken to accept or avoid such risks. There is always an established indirect connection to central Group-wide risk management via the regular reporting channels throughout the Group and a direct connection for all major divisions. This ensures the completeness of registered risks in the risk management system.

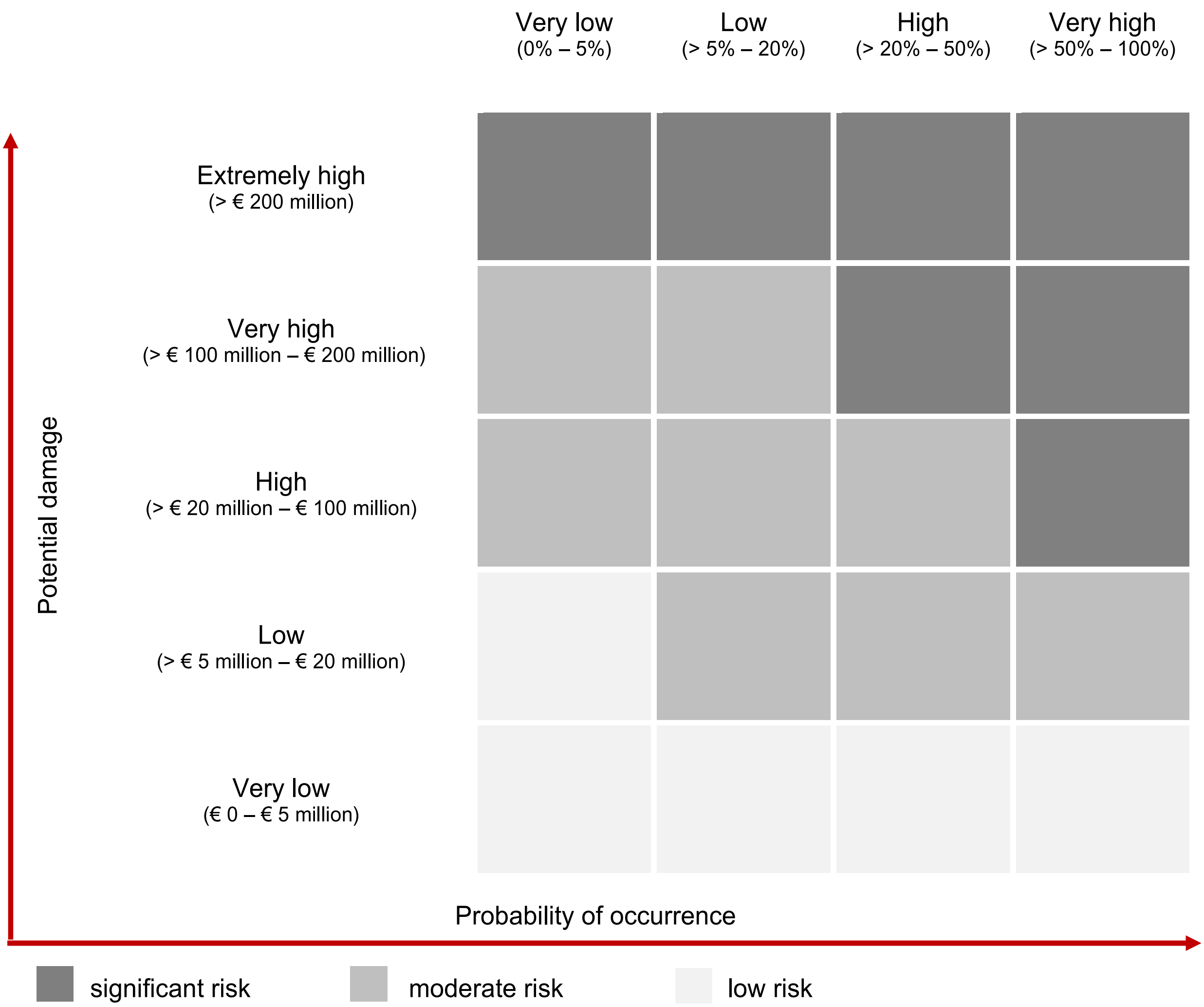
The current status of the main risks is communicated to the Management Board and Supervisory Board four times per year. Identified important risks with an immediate impact or significant changes in the risk situation trigger an ad-hoc reporting obligation. The respective risk is then communicated immediately to the CFO of United Internet AG, who in turn reports it to the Supervisory Board where necessary. In this way, significant risks can be addressed as quickly as possible.

Risks are assessed with their net impact, i.e. effects from mitigating (corrective) measures are only considered in the risk assessment after implementation.

Risks for United Internet

The assessment of the overall risk situation is the result of a consolidated examination of all known material risks. Of the total risks identified for the Group, the following sections describe the main risk categories from the company's point of view.

The starting point for assessing the materiality of risks is provided by the characteristics "probability of occurrence" and "potential damage". Based on the combination of probability of occurrence and potential damage, the risks are assigned to one of three risk categories: "significant", "moderate" and "low" risks.



Specific assessments of the company's Management Board regarding the Group's risk situation, as well as the probability of occurrence, potential damage and resulting categorization of the risks described below are provided at the end of this Risk Report.

Strategy

Shareholdings and investments

The acquisition and holding of shares in other companies and the making of strategic investments represent a key success factor for United Internet AG. In addition to improved access to existing and new growth markets, as well as to new technologies and know-how, investments also serve to exploit synergy and growth potential. However, these opportunities also involve risks. For example, there is a risk that the targeted potential cannot be exploited as expected or that acquired shareholdings will not develop as expected (impairment losses, disposal losses, absence of dividend, or reduction of hidden reserves).

All investments are therefore subject to a continuous monitoring process by the Investment Management and are supported promptly if required. This risk is largely without relevance for EBITDA as, in the event of an incident, predominantly non-cash-effective impairments are incurred. The value of investments is continuously monitored by management and the Controlling division.

Business development and innovations

A further key success factor for United Internet is also the development of new and constantly improved products and services in order to enhance sales and earnings, attract new customers, and expand existing customer relationships. There is always a risk, however, that new developments might be launched too late on the market or not be accepted by the target group as expected.

United Internet counters such risks by constantly and closely observing market, product and competition trends, as well as by undertaking product development which constantly responds to customer feedback.

As part of its efforts to diversify the business model or expand its value chain, United Internet occasionally enters new markets, or upstream and downstream markets. On January 24, 2019, the management board of 1&1 Drillisch AG, a subsidiary of United Internet AG, decided with the approval of its supervisory board to apply to the Bundesnetzagentur for admission to the auction on the allocation of mobile frequencies in the 2 GHz and 3.6 GHz frequency bands in accordance with the decision BK1-17/001 and, in the event of a successful acquisition of spectrum at the auction, to establish and operate a 5G mobile network. At present, the company's mobile offerings are based on the use of third-party networks. The resulting costs could be gradually reduced and absorbed in future by setting up a separate network. Admission to the auction was granted by the Bundesnetzagentur on February 25, 2019.

In addition to the resulting opportunities, such an entrepreneurial decision also entails risks. These may include, for example, the risk areas "technical plant operation", "procurement market" "litigation", "financing", and "liquidity". The company attempts to minimize these risks by, among other things, cooperating with specialized partner companies as well as by preparing detailed and long-term plans in the risk areas "financing" and "liquidity".

Cooperation and outsourcing

United Internet works together with specialized cooperation and outsourcing partners in certain areas of the company. The focus here is on objectives such as focusing on the actual core business, reducing costs, or leveraging the expertise of partners. These opportunities also involve risks in the form of dependencies on external service providers as well as contractual and default risks.

In order to reduce these risks, detailed market analyses and due diligence reviews are carried out before major contracts are concluded with external service providers, and close and cooperative relationships are maintained with the cooperation and outsourcing partners after the contracts have been concluded.

Organizational structure and decision-making

The choice of the appropriate organizational structure is essential for the efficiency and success of the company. In addition to the organizational structure, business success also depends to a large extent on making the right decisions. The basis for such decisions can be negatively influenced by various factors, such as limited flexibility offered by existing business processes and structures, or misunderstandings caused by ambiguities in the definition of key figures. If efficiency is jeopardized by one or several factors, this represents a strategic risk for United Internet which should be avoided wherever it makes economic sense.

Due to the high degree of agility within the organization, United Internet considers itself to be generally well positioned in this respect and undertakes a number of measures to standardize and optimize processes, structures and key figures.

Personnel development and retention

Highly skilled and well trained employees form the basis for the economic success of United Internet. In addition to the successful recruitment of qualified personnel (see also the “personnel recruitment” risk), personnel development and the long-term retention of top performers within the company are strategically important. If the company fails to develop and retain executives and employees with specialist or technological knowledge, there is the danger that United Internet may not be able to effectively conduct its business and achieve its growth targets. The concentrated accumulation of strategic knowledge and skills (so-called head monopoly) can have a considerable impact on the performance of the company if the corresponding employee is no longer available.

United Internet counteracts this risk by continuously developing employee and management skills. For example, it offers targeted measures for professional development, mentoring and coaching programs as well as special offers for high potentials geared to the further development of talent and leadership skills.

Further information on the topic of “personnel” is provided in section 2.5 “Significant non-financial performance indicators” of this management report under “Employees”.

Market

Sales market and competition

United Internet's markets are characterized by strong and sustained competition. Depending on the strategy of the parties involved in the market, different effects may occur which may lead also involve adjustments to the company’s own business models or pricing policy. The entry of new competitors might also jeopardize market shares, growth targets or margins. In addition, United Internet itself occasionally enters new, additional markets with large competitors. Such an entrepreneurial decision is always associated with new risks.

United Internet attempts to minimize these risks by means of detailed planning based on internal experience and external market studies, as well as by constantly monitoring the market and the competition.

Procurement market
A gap in the procurement or delivery of resources required for business operations may also lead to bottlenecks or outages at United Internet. This applies both to the purchase of hardware and the purchase of wholesale services. An increase in the price of purchased products and services also represents a risk for the targeted margins. Planned positive effects from contractually fixed price adjustment rounds can become a risk for the achievement of the company's periodic targets due to time delays.

United Internet counters these risks by cooperating with several long-term service providers and suppliers and – where it makes economic sense – by expanding its own value chain.

Financial market
The activities of United Internet AG are fundamentally exposed to risks on the financial market. In particular, these include risks from changes in interest rates and exchange rates.

- Interest
  The company is exposed to interest risks as the major share of its borrowing bears variable interest rates with varying terms. As part of its liquidity planning, the company constantly monitors the various investment possibilities and debt conditions. Any borrowing requirements are met by using suitable instruments to manage liquidity. Surplus cash is invested on the money market to achieve the best possible return. Due to developments on the global finance markets, the interest risk remained largely unchanged. Market interest rate changes might have an adverse effect on the interest result and are included in our calculation of sensitive factors affecting earnings. In order to present market risks, United Internet has developed a sensitivity analysis which shows the impact of hypothetical changes to relevant risk variables on pre-tax earnings. The reporting period effects are illustrated by applying these hypothetical changes in risk variables to the stock of financial instruments as of the balance sheet date.

- Currency
  United Internet's currency risk mainly results from its operations (if revenue and/or expenses are in a currency other than the Group's functional currency) and its net investments in foreign subsidiaries.

Personnel recruitment
It is therefore essential that human resources are effectively controlled so that the company can ensure its short- and long-term needs for staff and the requisite expertise. If United Internet is not able to attract managers and employees with specialist and technological knowledge, it would not be able to effectively conduct its business and achieve its growth targets.

As an attractive employer, the company believes it is well placed to hire highly skilled specialists and managers with the potential to drive its business success in the future. This was confirmed in the past years by the Top Employers Institute, which awarded United Internet the accolade “Top Employer 2018”.

Further details on the topic of human resources are provided in section 2.5 of this management report “Significant non-financial performance indicators” under “Employees”.

Provision of services

Work processes
In view of the ever-increasing complexity and interoperability of the products offered, there are steadily growing demands placed on the development of internal work processes. This also involves an ever-higher degree of coordination The particular challenge is to ensure quality standards especially in view of fast-changing market events – and on numerous differing domestic and foreign markets.

The company counters these risks by continuously developing and enhancing its internal processes, pooling and retaining its experts and key personnel, and continuously optimizing its organizational structures.

Information security
United Internet generates its commercial success largely in the telecommunications market and within the environment of the internet. In order to provide products and services, the company uses information and telecommunication technologies (data centers, transmission systems, connection nodes etc.) in its business processes which are closely networked with the internet and whose availability may be endangered by threats from the internet.

In order to deal with such risks more quickly, the existing monitoring and alarm system, together with the necessary processes and documentation, is continuously optimized.

There is also the risk of hacker attacks with the aim of stealing or deleting customer data or using services fraudulently. In the fiscal year 2018, an increasing professionalization of the attackers and their attack methods was observed. According to the German Federal Office for Information Security (BSI), the number of known malicious program variants grew by an average of around 390,000 for PCs and around 690,000 for smartphones with Android operating systems per day between July 2017 and June 2018.

United Internet counters this risk with the aid of virus scanners, firewalling concepts, self-initiated tests and various technical monitoring mechanisms.

The threat potential of the internet is one of the largest threat groups for United Internet with regard to its effects, which are all monitored by numerous technical and organizational measures. Of particular relevance in this respect are the operation and continuous improvement of the security management system and the steady enhancement of system resilience.

Capacity bottlenecks
Due to temporary or permanent shortages of technical resources, e.g. due to the temporary overloading of systems or a lack of resources to operate data centers, the planned provision of services may be jeopardized, threatening a corresponding loss of sales. Risks from the procurement of resources, such as products or services on the market, are not taken into account here.

In order to counter these risks, several internal stores are maintained. In addition, the company is in close contact with energy suppliers, for example, in order to coordinate emergency concepts regarding the data centers. In the case of outages, these can be compensated for at short notice by implementing the aforementioned measures.

Projects
The classic project objectives of quality, time and budget are defined before or at the start of a project and are thus the subject of entrepreneurial planning. If negative deviations from these plans become apparent in the course of a project’s implementation, these are recorded as risks. Moreover, projects may also involve risks that do not affect the project itself but arise after the project has been completed (for example, security vulnerabilities in new software code).

In addition to maintaining the current professional project management, the company reduces the aforementioned risks by holding regular specialist project management training courses, in order to improve such aspects as security or data privacy requirements. The project objectives of quality, time and budget are also closely monitored by management and the Controlling division.

Technical plant operation

United Internet's products and related business processes are based on a complex technical infrastructure and a number of success-critical software systems (servers, customer relationship databases and statistics systems etc.). Constantly adapting this infrastructure to changing customer needs leads to greater complexity and regular changes. In addition to major events like the migration of databases, this may lead to various disruptions or defects. Should this affect our business systems or their databases, for example, daily account debiting may be delayed or no longer possible. Should this affect our performance systems, for example, United Internet may not be able to provide its customers with the promised service, on a temporary or longer-term basis.

The company meets these risks by making targeted adjustments to the architecture, introducing quality assurance measures, and establishing spatially separated (geo-redundant) core functionalities.

For the operation of systems, there is a risk of targeted attacks from inside and outside the company, e.g. from hackers or manipulation by staff with access rights, which may result in non-availability or a deterioration of services.

In order to counter this risk, the company takes a wide variety of software- and hardware-based safety precautions to protect the infrastructure and its availability. By dividing responsibilities, the company has made sure that activities or business transactions involving risks are not carried out by single employees but on the basis of the "double-check principle". Manual and technical access restrictions also ensure that employees may only operate within their particular area of responsibility. As an additional precautionary measure against data loss, all data are regularly backed up and stored in separate, i.e. geo-redundant, data centers.

Compliance

Data privacy

It can never be fully ruled out that data privacy regulations may be contravened, for example by human error or technical weaknesses. In such cases, United Internet faces fines and the loss of customer confidence.

United Internet stores the data of its customers on servers according to international security standards at its own and at rented data centers. The handling of these data is subject to extensive legal regulations.

The company is aware of this great responsibility and attaches great importance and care to data privacy. By using state-of-the-art technologies, continuously monitoring all data-privacy and other legal regulations, providing extensive staff training on data protection regulations, and involving data protection aspects and requirements as early as possible in product development, United Internet continuously invests in improving the standard of its data privacy.

The new rules of the EU General Data Protection Regulation (GDPR) came into force in May 2018. Due to increased sanctions for breaches of duty, data protection risks have increased. In addition to higher sanctions, GDPR also includes new regulations regarding consent declarations and new obligations for reporting to authorities and those affected in the case of data loss.

Misconduct and irregularities

Non-compliance or non-observance of social norms, trends and peculiarities can lead to misconduct and wrong decisions and thus to a loss of revenue. As an internationally operating company, United Internet also faces the challenge of countering such negative factors through adequate management in the area of internal processes and procedures. Not every decision or business practice that is unobjectionable from a legal point of view is also acceptable in the respective cultural, ethical or social context.

United Internet counters the risks arising from misconduct and breaches of rules with its “culture of togetherness”, the provision of a Code of Conduct, country-specific management and compliance as an integral part of corporate culture.

Legislation and regulation

Changes in existing legislation, the enactment of new laws and changes in government regulation issues may have unexpected negative effects on the business models pursued by United Internet and their further development. In the Consumer Access segment in particular, the decisions of the Federal Network Agency and the Federal Cartel Office have an influence on network access and the pricing of internet access tariffs. Price increases of network providers from whom United Internet purchases pre-services for its own customers can have a negative impact on the profitability of tariffs. In the same way, there is also the possibility that a lack of regulation may lead to a deterioration of market circumstances for United Internet.

United Internet attempts to counter this tendency toward an increasing regulation risk by cooperating with various pre-service providers and by actively participating in the activities of industry associations. With its complete takeover of Versatel in 2014, United Internet now also has its own landline network. This network infrastructure gives United Internet the possibility to gradually expand its vertical integration procure fewer internally produced broadband wholesale services. In addition, since the takeover of Drillisch (now 1&1 Drillisch) in 2017, United Internet has been the only MBA MVNO in Germany with long-term rights to a share of up to 30% of the used network capacity of Telefónica Germany. This gives United Internet extensive access to one of Germany’s largest mobile networks and to all available mobile communications technologies, such as 5G.

Litigation

The United Internet Group is currently involved in various legal disputes and arbitration proceedings arising from its normal business activities. The outcome is by definition uncertain and thus represents a risk. Insofar as the size of the obligation can be reliably estimated, accruals are formed for such risks from litigation, where permissible.

Tax risks

As an internationally operating company, United Internet is subject to the tax laws applicable in the respective countries. Risks may arise from changes in tax laws or case law as well as from differences in the interpretation of existing regulations.

United Internet counters these risks by continuously expanding its existing tax management system.

Finance

Financing

The main financial liabilities incurred by United Internet AG for the financing of its activities include bank loans, overdraft facilities and other financial liabilities. United Internet holds various financial assets which result directly from its business activities. They consist mainly of shares in affiliated companies and investments, as well as receivables from affiliated companies. As of the balance sheet date, the company mainly held primary financial instruments.

The aim of financial risk management is to limit risks through ongoing operating and financial activities.

Fraud and credit default

In order to meet the requirements of dynamic customer growth and provide services as quickly as possible in the interests of its customers, United Internet has largely automated its order and provision processes – as have many other companies in such mass market businesses. The nature of such automated processes provides possibilities for attacks from fraudsters. Due to the strong appeal of the products and services offered, not only the number of customers is increasing but also the number of non-payers and fraudsters. Consequently, the amount of credit default has risen. United Internet may suffer damage, for example, from hardware or automated domain orders which are ordered under false names and not paid for. The fraudulent use of SIM cards may also incur damage due to large-scale call forwarding or roaming calls, for example.

United Internet attempts to prevent such fraud attacks – or at least to recognize and end them at an early stage – by permanently expanding its fraud management capabilities, working closely with pre-service providers and taking account of such risks in the design of its products.

Liquidity

The general liquidity risk of United Internet consists of the possibility that the company may not be able to meet its financial obligations, such as the redemption of financial debts. The company's objective is to continuously cover its financial needs and secure flexibility, for example by using overdraft facilities and loans.

Group-wide cash requirements and surpluses are managed centrally by the cash management system. By netting these cash requirements and surpluses within the Group, the amount of external bank transactions can be minimized. This is managed, for example, by using cash pooling processes. The company has established standardized processes and systems to manage its bank accounts and internal netting accounts as well as for the execution of automated payment transactions. In addition to operating liquidity, United Internet also holds other liquidity reserves, available at short notice.

Acts of God

External events such as natural disasters (earthquakes, floods, tsunamis etc.), personnel crises (pandemics, strikes etc.), infrastructure crises (power outages, road damage etc.), or violent incidents (rampage, terrorist attacks etc.) may affect United Internet's operations.

United Internet counters these risks as far as possible with a variety of measures. Examples include the establishment of building access restrictions, the operation of georedundant data centers, hygiene precautions, and the elaboration of emergency concepts.

Additional disclosures on risks, financial instruments and financial risk management

Further details on risks, financial instruments and financial risk management are provided in Note 42 “Objectives and methods of financial risk management“ in the explanations to the consolidated financial statements.

Management Board's overall assessment of the Group's risk 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.

From the current perspective, the main challenge is the risk field "information security".

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

In non-operating business, impairment charges depending on the further share price development of listed United Internet investments may lead to (non-cash effective) burdens.

Although the assessment of key risk areas or individual risks changed over the course of fiscal year 2018 due to the development of external conditions or as a consequence of the company's own countermeasures, the overall risk situation for United Internet is virtually unchanged compared to the previous year and against the background of corporate development. In the assessment of the overall risk situation, the opportunities which exist for United Internet were not taken into consideration. There were no risks which directly jeopardized the continued existence of the United Internet Group in the fiscal year 2018 nor as of the preparation date for this Management Report, neither from individual risk positions nor from the overall risk situation.

Probability of occurrence, potential damage, and the classification of risks from the Group's perspective and their relevance for the various segments / divisions:

	Main segment relevance	Probability of occurrence	Potential damage	Risk classification	Change over previous year
Risks in the field of "Strategy"					
Shareholdings & investments	Corporate/HQ	High(1)	High(1)	Moderate(1)	→
Business development & innovations	Consumer Applications Business Applications	Low	Low	Moderate	→
Cooperation & outsourcing	Business Applications	High	Very low	Low	→
Organizational structure & decision-making	Business Applications	High	Very low	Low	→
Personnel development & retention	Business Applications	High	Low	Moderate	→
Risks in the field of "Market"					
Sales market & competition	Consumer Applications Business Applications	Low	High	Moderate	→
Procurement market	Business Applications	Very low	High	Moderate	→
Financial market	Business Applications	Very high	Very low	Low	↘
Personnel recruitment	Business Access Business Applications	High	Very low	Low	→

(1) Risk largely without relevance for EBITDA as, in the event of an incident, predominantly non-cash-effective impairments are incurred

	Main segment relevance	Probability of occurrence	Potential damage	Risk classification	Change over previous year
Risks in the field of “Service Provision”					
Work processes	Business Applications	Low	Low	Moderate	→
Information security	Business Applications	Low	Extremely high	Significant	→
Capacity bottlenecks	Business Applications	High	Very low	Low	→
Projects	Business Applications	Very high	Very low	Low	→
Technical plant operation	Business Applications	Low	High	Moderate	→
Risks in the field of “Compliance”					
Data privacy	Consumer Access Business Applications	Low	High	Moderate	→
Misconduct & irregularities	No significant risks at present			Low	→
Legislation & regulation	Consumer Applications	Low	High	Moderate	→
Litigation	Consumer Access	Low	Very high	Moderate	↘
Tax risks	Business Applications	High	Very low	Low	→
Risks in the field of “Finance”					
Financing	Business Applications	Very low	Very low	Low	→
Fraud & credit default	Consumer Access	High	Low	Moderate	↗
Liquidity	Business Applications	Low	Very low	Low	→
Risks in the field of “Acts of God”					
Acts of God	Business Access Consumer Applications	Very low	High	Moderate	→

↘ improved → unchanged ↗ worsened

4.2 OPPORTUNITY REPORT

Opportunity management

Opportunity management is based on strategic planning and the resulting measures for the development of products and their positioning for various target groups, markets and countries during the product life cycle.

The Group Management Board, as well as the operative management level of the respective business segments in the form of sub-group management boards and managing directors, have the direct responsibility for the early and continuous identification, assessment, and steering of opportunities.

The management team of United Internet AG makes extensive use of detailed evaluations, models and scenarios on current and future trends regarding sectors, technologies, products, markets/market potential and competitors in the Group's fields of activity. The potential opportunities identified during these strategic analyses are then examined with regard to the critical success factors and existing external conditions and possibilities of United Internet AG in planning discussions between the Management Board, Supervisory Board and operational managers before being implemented in the form of specific measures, targets and milestones.

The progress and success of these measures is continuously monitored by operational management and the managing directors and management board members of the respective companies.

Opportunities for United Internet

United Internet's stable and largely non-cyclical business model ensures predictable revenues and cash flows, thus providing the financial flexibility to grasp opportunities in new business fields and markets – organically or via investments and acquisitions.

Broad strategic positioning in growth markets

In view of its broad positioning in current growth markets, the company's purely strategic growth opportunities are clearly apparent: universally accessible, permanently available and increasingly powerful broadband connections are enabling new and more sophisticated cloud applications. From the current perspective, these internet-based programs for home users, freelancers and small companies are likely to be United Internet's growth drivers over the coming years – both as stand-alone products in the Consumer Applications and Business Applications segments as well as in combination with landline and mobile access products in our Consumer Access segment.

Participation in market growth

Despite the uncertain macroeconomic conditions, United Internet – as well as many of the sector's leading analysts – expects further progress in those markets of importance to the company. United Internet is one of the leading players in these markets. At home and abroad. With its highly competitive Access products, its growing portfolio of cloud applications, its strong and specialized brands, its high sales strength, and already established business relationships with millions of private and business customers (cross-selling and up-selling potential), United Internet is also well positioned to participate in the expected market growth of both its business segments.

Expansion of market positions

United Internet AG is now one of the leaders in many of its business fields. Based on its existing technological know-how, its high level of product and service quality, the widespread popularity of Group brands such as 1&1, GMX or WEB.DE, its business relationships with millions of private and business customers, and its high customer retention ratio, United Internet sees good opportunities to build on its current market shares.

Entry into new business fields

One of United Internet's core competencies is to recognize customer wishes, trends and thus new markets at an early stage. With its broadly based value chain (from product development and data center operation, to effective marketing, powerful sales organization and active customer support), United Internet is often faster at placing innovations on the market and – thanks to the high level of cash generation in its existing business fields – capable of providing them with strong marketing support.

When new opportunities appear on the horizon, United Internet is well prepared and also capable of financing many years of cost-intensive preparation thanks to its strong cash generation in existing business fields.

In 2018, United Internet established the European netID Foundation (EnID) together with the media group RTL Germany and ProSiebenSat.1. The initiative's goal is to establish a European alternative to US providers with the single sign-on product netID. The Foundation has developed an open standard that enables users to access all partner websites of the European netID Foundation using the same login data. The Foundation reviews all standards, partners and providers of user accounts within the initiative. With the open login standard netID, the Foundation focuses on the data sovereignty of each individual user. With the aid of netID, users can organize their consent to the use of online services via a privacy center which guarantees transparency and compliance with data protection regulations. netID is available to GMX and WEB.DE customers as well as customers of other netID partners with the same log-in data. New users can create a netID account free of charge by using a combination of e-mail address and password. As part of the development of NetID, the United Internet brands GMX and WEB.DE have greatly reduced their ad space on the respective portals and at the same time are driving the expansion of data-driven business models for better advertising monetization.

Own landline infrastructure

Since its acquisition of 1&1 Versatel (2014), United Internet has had its own telecommunications network. With a length of over 47,000 km, it is one of Germany’s largest fiber-optic networks. With its own network infrastructure, United Internet has the opportunity to extend its vertical integration and also gradually reduce its purchases of wholesale broadband services.

In addition, having its own network also offers United Internet the opportunity to systematically expand its B2B data and infrastructure business with SMEs and large corporations. This scale of this opportunity is underlined by the fast-growing data consumption of private users and companies (according to Dialog Consult / VATM estimates: +8.2% to approx. 90.0 GB data volume consumption per broadband connection and month in 2018) and the considerable pent-up demand for direct fiber-optic connections in Germany. According to the latest survey of the OECD (Organization for Economic Co-operation and Development) in December 2017, only 2.3% (prior year: 1.8%) of all broadband connections in Germany are fiber-optic connections. Germany thus lags well behind in 23rd place (prior year: 30th place) among the 36 OECD countries surveyed and also well below the OECD average of 23.3% (prior year: 21.2%).

Access to Telefónica mobile network

Following the merger with Drillisch (2017), United Internet – indirectly via 1&1 Drillisch – is the only MBA MVNO in Germany with a long-term claim to a specific share (rising to 30%) of the used network capacity of Telefónica Germany and thus extensive access to one of Germany's largest mobile networks. As a result, United Internet has contractually assured, unrestricted access not only to LTE (4G), but also to all further future technologies such as 5G.

As a consequence of the merger between 1&1 Telecommunication and Drillisch, United Internet can use its coordinated branding and customer targeting to address the German premium and discount segments more precisely while achieving a high and comprehensive reach among its target groups with its differently positioned brands.

High degree of vertical integration for applications

In its Applications segment, United Internet covers the entire value creation chain. Applications are developed at the company's own "Internet Factories" or in cooperation with partner firms and operated on around 90,000 servers at the company's 10 data centers. This enables United Internet to maintain high quality standards and to respond quickly to customer needs and changing market situations in order to win new customers and retain existing ones.

Internationalization

Cloud applications can be used anywhere in the world and work on the same principle in Frankfurt as they do in London, Rome or New York. In the past, United Internet has already successfully adapted cloud products – such as 1&1 MyWebsite – to various languages and country-specific features and gradually rolled them out in different nations.

Thanks to the high degree of exportability which these products offer, United Internet is already active in its Applications segment in numerous European countries (Germany, Austria, Switzerland, the UK, France, Spain, Italy, Poland and the Netherlands), as well as in North America (USA, Canada and Mexico). Further countries and product roll-outs will gradually follow.

Acquisitions and investments

In addition to organic growth, United Internet also constantly examines the possibility of company acquisitions and strategic investments. Thanks to its high and plannable level of free cash flow, United Internet also has a strong source of internal funding and good access to debt financing markets in order to utilize opportunities in the form of acquisitions and investments.

United Internet has enhanced its market standing in Germany and abroad, for example, by making several acquisitions and strategic investments while gaining considerable expertise in the field of mergers and acquisitions (M&A) and company integration.

The most important M&A activities of recent years include the acquisition of WEB.DE's portal business (in 2005), the acquisitions of Fasthosts (2006) and united-domains (2008), the acquisition of freenet's broadband business (2009) and the acquisitions of mail.com (2010), Arsys (2013), Versatel (2014; now 1&1 Versatel), home.pl (2015), Strato (2017), ProfitBricks (2017; now 1&1 IONOS Cloud), and Drillisch (2017; now 1&1 Drillisch) and World4You (2018). The most important strategic investments include the investments in virtual minds (2008), Open-Xchange (2013), ePages (2014), uberall (2014), Rocket Internet (2014), Tele Columbus (2016), rankingCoach (2017) and Awin (2017 via contribution of affilinet).

4.3 FORECAST REPORT

Expectations for the economy

In its global economic outlook published in January 2019, the International Monetary Fund (IMF) updated its forecasts for the development of the global economies in 2019 and 2020. All in all, the IMF's outlook for the global economy is more pessimistic than in its previous forecasts.

According to the IMF, the major causes for the deterioration of growth prospects are the unresolved global trade disputes, the danger of a "no-deal Brexit", and weaker growth in a large number of countries.

Specifically, the IMF predicts that the global economy will grow by 3.5% in 2019 and by 3.6% in 2020, following growth of 3.7% in 2018. This is 0.2 and 0.1 percentage points less, respectively, than the IMF predicted in its outlook of October 2018.

The latest IMF forecasts for United Internet's target markets in North America (the USA, Canada and Mexico) are as follows: following growth of 2.9% in 2018, the US economy is expected to grow by 2.5% in 2019 and 1.8% in 2020. The IMF has thus left its previous forecasts (October outlook 2018) unchanged. The Canadian economy is expected to grow by 1.9% in both 2019 and 2020 – following growth of 2.1% in 2018 – and thus 0.1 percentage point less and 0.1 percentage point more than previously forecast, respectively. The economy in Mexico is expected to grow by 2.1% in 2019 and 2.2% in 2020, following growth of 2.1% in 2018. This is 0.4 and 0.5 percentage points less than previously forecast.

The IMF anticipates growth in the eurozone to reach 1.6% and 1.7% in 2019 and 2020 – compared to 1.8% in 2018. The previous forecast for 2019 was thus lowered by 0.3 percentage points, while the forecast for 2020 remained unchanged.

The IMF expects diverging economic trends in United Internet's main European markets (France, Spain, Italy and the non-euro country UK): following growth of 1.5% in 2018, the IMF forecasts an increase of 1.5% and 1.6% in 2019 and 2020 for France – this is 0.1 and 0.0 percentage points less than previously predicted. Spain is still expected to grow by 2.2% and 1.9% in 2019 and 2020 – after growth of 2.5% in 2018. The IMF forecasts growth in Italy of 0.6% and 0.9% in 2019 and 2020, following growth of 1.0% in 2018. This is 0.4 and 0.0 percentage points less than before. And after growing by 1.4% in 2018, the IMF forecasts growth for the UK of 1.5% and 1.6% in 2019 and 2020. This is 0.0 and 0.1 percentage point more than previously expected.

For United Internet's most important market, Germany, the IMF forecasts economic growth of 1.3% in 2019 and 1.6% in 2020 – following 1.5% in 2018. These forecasts are 0.6 and 0.0 percentage points less than previously expected. With expected growth of 1.3% for 2019, the IMF is well above the forecast of the German government, which forecast growth of just 1.0% in price-adjusted GDP in its Annual Economic Report 2019 (previous forecast: 1.8%).

Market forecast: GDP development of most important economies for United Internet

	2020e	2019e	2018
World	3.6%	3.5%	3.7%
USA	1.8%	2.5%	2.9%
Canada	1.9%	1.9%	2.1%
Mexico	2.2%	2.1%	2.1%
Eurozone	1.7%	1.6%	1.8%
France	1.6%	1.5%	1.5%
Spain	1.9%	2.2%	2.5%
Italy	0.9%	0.6%	1.0%
UK	1.6%	1.5%	1.4%
Germany	1.6%	1.3%	1.5%

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

Sector / market expectations

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

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

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

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

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

(Stationary) broadband market in Germany

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

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

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

	2019e	2018	Change
Sales	8.19	8.15	+ 0.5%

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

Mobile internet market in Germany

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

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

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

	2019e	2018	Change
Sales	8.72	8.22	+ 6.1%

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

Global cloud computing market

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

Market forecast: global cloud computing
(in $ billion)

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

Source: Gartner, November 2018

Online advertising market in Germany

Advertisers continued to display a strong willingness to invest in online advertising activities in 2018.

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

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

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

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

Expectations for the company in 2019

Initial application of IFRS 16

On January 13, 2016, the International Accounting Standards Board (IASB) published IFRS 16, a new standard for lease accounting. The new standard is to be applied in fiscal years beginning on or after January 1, 2019.

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

According to IFRS 16, leases are no longer regarded as classic rental agreements but as financing transactions: the lessee acquires a right to use the leased asset and finances it via the lease installments. Consequently, the lessee must recognize a liability for the use of the leased asset and a right of use for the leased asset in the balance sheet. In this way, every lease and rental relationship is stated in United Internet's balance sheet. Excluded are lease or rental agreements with terms of up to twelve months and contracts with low values.

On initial application of IFRS 16, United Internet opted to recognize the asset for the right of use granted at the value of the related lease liability and not to apply it retrospectively for each previous reporting period. In addition, United Internet makes use of the exemptions provided in the standard for leases that expire within twelve months from the date of initial application as well as the exemption for leases where the underlying asset is of low value.

The new standard will lead to an increase in non-current assets (for the right of use) in the consolidated balance sheet, and at the same time financial liabilities will also increase (due to the payment obligation). In the income statement, this will lead to increased depreciation and interest expenses. This in turn will lead to an increase in EBITDA.

Forecast for the fiscal year 2019

- **Consolidated sales** are expected to grow by approx. 4% in the fiscal year 2019 (2018: € 5.13 billion).

- An increase of approx. 8% is anticipated for **consolidated EBITDA** (2018: € 1.20 billion). Including the expected effects from initial application of IFRS 16, EBITDA growth is likely to reach approx. 12%.

Due to its role as a holding company, the earnings of United Internet AG at **parent company level** are mainly influenced by its investment result (profit transfers and dividends) and the interest result. Against this backdrop, the Management Board expects strongly positive net income for fiscal year 2019 (subject to possible special items).

United Internet AG intends to maintain its shareholder-friendly **dividend policy** based on continuity in the coming years. Dividend payouts will continue to represent approx. 20-40% of adjusted net income from continued operations after minority interests (adjusted net income attributable to "shareholders of United Internet AG" – according to the consolidated statement of comprehensive income) in the future. The prerequisite, however, is that funds are not required for further company development.

Management Board's overall statement on the anticipated development

The Management Board of United Internet AG is 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. A possible Brexit is not expected to have any significant impact on key sales and earnings figures.

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

- In the Consumer Access segment, the main focus in 2019 will be on marketing mobile internet products and winning high-quality customer relationships. The company also plans to leverage the strong positioning of its broadband products to generate further growth.

- In the Business Access segment, the company's own fiber-optic network is to be expanded in 2019 with further connections to the BNGs (access points) of Deutsche Telekom. Further expansion of activities for business and wholesale customers are also planned.

- In fiscal year 2019, the key topics in the Consumer Applications segment will be the repositioning of GMX and WEB.DE, and the associated reduction in monetization via traditional advertising in favor of big data solutions.

- In the Business Applications segment, the focus will continue to be on expanding business with existing customers and gaining new high-quality customer relationships in 2019.

Following a successful start to the year (at the time of preparing this Management Report), the company's Management Board believes that the company is on track to reach the forecast presented above in the section "Forecast for the fiscal year 2019".

Forward-looking statements

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

5 ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In accordance with Sec. 289 (4) and Sec. 315 (4) German Commercial Code (HGB), United Internet AG is obliged to describe the main features of its accounting-related internal control and risk management system in its Management Report.

United Internet AG regards risk management as part of its internal control system (ICS). The ICS is understood as an ongoing process comprising organizational, controlling and monitoring structures to ensure permanent compliance with legal and corporate requirements.

The Management Board of United Internet AG is responsible for the scope and structure of its ICS and takes account of the company's specific requirements. The monitoring of the ICS's effectiveness is one of the duties of the Supervisory Board of United Internet AG, which is regularly informed by the Management Board about the status of the ICS and the findings of the company's Internal Audit system. Within the United Internet Group, the Corporate Audit department is responsible for independently auditing the appropriateness, effectiveness and functionality of the ICS and has been granted extensive rights with regard to information, examination and access in order to exercise its duties. Its audits are based on a risk-oriented audit plan which also includes regular audits of subsidiaries. In addition, the Corporate Audit department conducts fundamental audits regarding the proper functioning of important asset and inventory stock-taking. In addition, those areas of ICS of relevance for financial reporting are audited with regard to efficiency by the external auditors as part of their risk-oriented audit approach.

The accounting-related ICS is continuously being developed and comprises principles, procedures and measures to secure the effectiveness, economic efficiency and compliance of the accounting system and to ensure that the relevant laws and standards are observed. During preparation of the consolidated financial statements, the ICS is used in particular to ensure the application of International Financial Reporting Standards (IFRS), as endorsed by the European Union, and the additional provisions under commercial law pursuant to Sec. 315e of the German Commercial Code (HGB). When preparing the annual financial statements and management report, the ICS also helps ensure that regulations under commercial law are observed.

However, a fundamental aspect of every ICS, irrespective of its particular design, is that it cannot provide absolute safety that material misstatements in accounting are avoided or detected. This may be due, for example, to incorrect discretionary decisions of individuals, faulty controls or criminal acts.

The following statements refer solely to the fully consolidated subsidiaries included in the annual financial statements of United Internet AG, for which United Internet AG has the direct or indirect possibility of determining their financial and monetary policy in order to derive a benefit from the activity of these companies.

The task of United Internet AG's risk management system includes setting measures to detect and assess risks, reduce them to an acceptable level, and monitor recognized risks. A risk management system requires organized action to deal suitably with uncertainty and threats and urges employees to utilize the regulations and instruments required to ensure compliance with the risk management principles. In addition to operative risk management, it also includes the systematic early recognition, management and monitoring of risks. The accounting-related risk management system focuses on the risk of false statements in accounting and external reporting.

Specific accounting-related risks may arise, for example, from the conclusion of unusual or complex transactions. Business transactions which cannot be processed in a routine manner are also exposed to latent risks. It is necessary to grant a limited circle of people certain scope for discretion in the recognition and measurement of assets and liabilities, which may result in further accounting-related risks.

The accounting-related ICS comprises internal controls, defined on the basis of risk aspects, for those processes which are relevant for financial reporting as well as those processes that support the IT systems. Special emphasis is placed on IT security, change management and operational IT processes. Organizational, preventive and detective controls are applied, which can be conducted manually or with the aid of IT. The effectiveness and efficiency of the accounting-related ICS requires highly developed employee skills. Regular training, the "four-eye principle" and the functional separation of administrative, executive and approval processes are indispensable for the United Internet Group. The Corporate Accounting division and other accounting departments are responsible for the management of the accounting processes. Laws, accounting standards and other pronouncements are continuously analyzed with regard to their relevance and impact on accounting. The Group companies are responsible for the orderly and timely execution of the accounting-related processes and systems and are supported by the accounting departments accordingly.

If significant control weaknesses or opportunities for improvement are detected, they are assessed and countermeasures are developed with the persons responsible to improve the effectiveness of the ICS. Implementation of the measures is monitored by the Corporate Audit department and may be the subject of subsequent audits. In order to ensure the high quality of the accounting-related ICS, the Corporate Audit department is closely involved during all stages.

6 DISCLOSURES REQUIRED BY TAKEOVER LAW

The following disclosures according to Secs. 289a and 315a German Commercial Code (HGB) represent conditions as of the balance sheet date. As required by Sec. 176 (1) Sentence 1 AktG, the disclosures are explained in the sections below.

Composition of capital

The subscribed capital of United Internet AG as of December 31, 2018 amounts to € 205,000,000 divided into 205,000,000 no-par value, registered shares. Each share entitles the owner to one vote. There are no other share categories. In the case of a capital increase, the commencement of dividend entitlement for new shares may be determined separately from the moment of contribution. All shares are listed on the stock exchange.

Limitations affecting voting rights or the transfer of shares

There are legal limitations affecting voting rights of certain shares pursuant to Sec. 71b AktG and Sec. 71d S. 4 in conjunction with Sec. 71b AktG. At the end of the reporting period, United Internet holds 4,702,990 shares representing 2.29% of capital stock.

There are also legal limitations affecting voting rights regarding a conflict of interests pursuant to Sec. 136 (1) AktG for shares held by the Management Board and Supervisory Board.

Among the members of the Management Board, Mr. Ralph Dommermuth held 82,000,000 shares of United Internet AG (40.00% of capital stock) as of December 31, 2018. Moreover, Mr. Frank Krause held 5,482 shares (0.00% of capital stock).

As of December 31, 2018, no members of the Supervisory Board held shares in United Internet AG.

There are no limitations affecting the transfer of shares.

Direct and indirect participations in capital with over 10% of voting rights

On December 31, 2018, the company's CEO, Mr. Ralph Dommermuth, held 82,000,000 shares or 40.00% of the 205,000,000 shares in United Internet AG. The Management Board is not aware of further participations in capital exceeding 10% of voting rights.

Special rights

Mr. Ralph Dommermuth is personally entitled to nominate a member of the Supervisory Board. This right is exercised by naming a person for the Supervisory Board to the company's Management Board. The nomination becomes effective as soon as the nominated person declares his acceptance of the Supervisory Board seat to the Management Board. A requirement for the aforementioned nomination right is that Mr. Ralph Dommermuth holds shares himself or via affiliated companies pursuant to Sec. 15 ff. German Stock Corporation Law (AktG) representing at least 25% of the company's voting capital and can prove as much to the Management Board on nomination of the Supervisory Board member by providing depository account statements or similar documents. Mr. Dommermuth has so far not made use of this nomination right. The Management Board is not aware of any further shares with special rights.

Appointment and dismissal of Management Board members, amendments to company articles

The appointment and dismissal of Management Board members is determined by Secs. 84, 85 AktG in conjunction with section 1 of the rules of procedure for the Supervisory Board. According to Sec. 6 (1) of the company's articles, the Management Board consists of at least one person. The Supervisory Board appoints and dismisses the members of the Management Board, determines their number and can appoint one member of the Management Board as Chairman.

Each amendment of the company's articles requires the adoption of a shareholders' meeting resolution with a majority of at least three quarters of capital represented at the vote. Pursuant to Sec. 22 of the company's articles in conjunction with Sec. 179 (1) Sentence 2 AktG (Changes in capital stock and number of shares), the Supervisory Board is authorized to make amendments to the company's articles insofar as they only concern formulation.

Powers of the Management Board to issue new shares

The Management Board is entitled to issue new shares under the following circumstances:

The Management Board is authorized, subject to approval by the company's Supervisory Board, to increase the company's capital stock on one or more occasions before May 20, 2020 by a total of € 102,500,000.00 by issuing new no-par shares for cash and/or non-cash contributions (Authorized Capital 2015). The Management Board is also authorized, in certain cases stated in Sec. 5.4 of the company's articles, to exclude the statutory right of shareholders to subscribe to new shares. This applies in particular in the case of fractional amounts and when granting subscription rights for new shares to bearers of warrants, convertible bonds or warrant bonds. The Management Board is also authorized, subject to the approval of the Supervisory Board, to restrict subscription rights in the case that the issue price of the new shares is not substantially lower than the quoted market price and the issued shares do not exceed in total 10% of capital stock. The Management Board is authorized, subject to the approval of the Supervisory Board, to exclude subscription rights in the case of a capital increase in return for non-cash contributions, especially in connection with the acquisition of companies, investments or assets.

Capital stock has been conditionally increased by up to a further € 25,000,000.00, divided into 25,000,000 no-par shares (Conditional Capital 2015). The conditional capital increase is earmarked for shares to be granted to bearers or holders of warrant or convertible bonds, which the shareholders' meeting on May 21, 2015 authorized the company or a subordinated Group company to issue in the period ending May 20, 2020, providing the issue is in return for cash and no cash settlement is granted or the warrant or convertible bonds are serviced from the stock of treasury shares or approved capital.

Powers of the Management Board to buy and use treasury shares

The Annual Shareholders' Meeting of May 18, 2017 issued a new authorization limited to September 18, 2020 and pursuant to Sec. 71 (1) No. 8 AktG, to acquire, sell or otherwise use or cancel treasury shares.

The Management Board was authorized, for every permissible purpose within the scope of legal restrictions, to purchase treasury shares in the amount of up to ten percent of the current capital stock (or if this value is lower, the existing capital stock at the time the stated authorization was implemented) The company may implement the authorization for the pursuit of one or more purposes. It can also be exercised by dependent or majority-owned corporations of the company or by third parties for the company's or their own account. At no point in time may more than ten percent of capital stock be accounted for by the respective purchased treasury shares in combination with other treasury shares held by the company or attributable to it pursuant to Sec. 71a et seq. AktG. The authorization may not be used for the purposes of trading with company shares.

The purchase of treasury shares is made at the discretion of the Management Board by way of repurchase via the stock exchange and/or (bb) by means of a public purchase offer issued to all shareholders.

- In the event of a purchase through the stock exchange, the counter value for the purchase of United Internet shares (without ancillary purchase costs) may not exceed, or fall below, ten percent of the company's average share price, as listed on the last five trading days preceding the due date in the closing auction of the Frankfurt stock exchange's XETRA trading system (or any functionally equivalent successor of the XETRA system). The due date is deemed to be the day on which an obligation to purchase is incurred.
- When acquiring treasury shares by way of a public purchase offer to all shareholders, the company may publish an offer aimed at all shareholders or publicly request the submission of offers. The exclusion and/or limitation of the shareholder's right to tender requires a Management Board resolution and consent of the Supervisory Board.

In addition to a sale via the stock exchange or in another manner that ensures the equal treatment of all shareholders, the Management Board is also authorized, subject to the approval of the Supervisory Board, to use the treasury shares purchased based on this or any prior authorizations, pursuant to Section 71 (1) No. 8 AktG, for the following purposes:

- Sale for cash consideration that is not significantly below the Company's share price listed on the stock exchange at the time of sale (without ancillary purchase costs). The company's XETRA opening share price (or one of any functionally equivalent successor to the XETRA system) on the Frankfurt Stock Exchange on the day when the United Internet shares are sold is considered as the significant stock market price in terms of the above sales rule. This authorization, however, shall only apply on condition that this is a proportional amount of no more than ten percent, or if this value is lower, of the existing capital stock accounted for by the total sold shares when this authorization is implemented. Those shares with a subscription right which was excluded, by the direct or corresponding application of Sec. 186 (3) Sentence 4 AktG, for this authorization's duration at the same time should be counted toward the above-stated maximum threshold.
- Sale for payment in kind, particularly within the scope of the direct or indirect purchase of companies, parts of a company or equity shares therein, or other assets including receivables from the company, or entitlements to purchase assets, or as part of corporate combinations as a (partial) consideration.
- The granting of treasury shares as part of remuneration and/or employee stock ownership programs by which United Internet offers or transfers shares to United Internet AG Management Board members and/or to individuals who are in an employment relationship with the company or with one of its current or former affiliates and/or management board members of corporations affiliated with the company. Insofar as United Internet shares are to be transferred to members of the company's Management Board, the decision on this shall be incumbent upon the company's Supervisory Board.
- The fulfilment of conversion or option rights and/or conversion obligations stemming from convertible bonds or warrant bonds issued by the company or by corporations which are controlled or majority held by the company.
- Whole or partial cancellation without any further resolution of the Annual Shareholders' Meeting. The Management Board is authorized, subject to the approval of the Supervisory Board, to reduce the company's capital stock by the capital stock proportion attributable to the redeemed shares. Subject to the approval of the Supervisory Board, the Management Board may determine, in derogation herefrom, that the capital stock shall remain unchanged

upon cancellation and that instead, by way of cancellation, the proportional ratio of remaining shares to the capital stock shall increase. The Supervisory Board is authorized to amend Section 5 of the company's by-laws in accordance with the respective utilization of its authorization to cancel shares.

The right of shareholders to subscribe to United Internet shares shall be excluded to the extent that these shares are used in accordance with the above authorizations. Furthermore, the Management Board may, with the approval of the Supervisory Board, exclude the subscription right of shareholders for fractional amounts, in the event of a disposal of treasury shares by way of an offer to all shareholders.

The authorization to purchase, sell or otherwise use, or cancel treasury shares, may be exercised independently of one another, on a one-off basis or multiple times, in whole or in part.

7 DECLARATION ON COMPANY MANAGEMENT / CORPORATE GOVERNANCE REPORT

As a German public company listed on the stock exchange, the management of United Internet AG is primarily determined by the German Stock Corporation Act (AktG) and the rules set forth in the currently valid version of the German Corporate Governance Code (GCGC).

The term Corporate Governance stands for responsible corporate management and control geared to long-term value creation. Efficient cooperation between Management Board and Supervisory Board, respect for stockholder interests, openness and transparency of corporate communications are key aspects of good corporate governance.

The Management Board and Supervisory Board of United Internet AG regard it as their duty to secure the company's continued existence and sustainable value creation through responsible corporate governance focused on the long term.

The following report contains the “Declaration on company management”, in accordance with Sec. 289f HGB for the parent company and in accordance with Sec. 315d HGB for the Group, as well as the “Corporate Governance Report” of the Management Board and Supervisory Board pursuant to Section 3.10 of the German Corporate Governance Code.

Management and corporate structure

In accordance with its legal status, United Internet AG operates a dual management and monitoring structure comprising two corporate bodies: the Management Board and the Supervisory Board. The third body is the Shareholders’ Meeting. All three bodies are committed to serving the company’s interests.

Supervisory Board

Working procedures of the Supervisory Board

The Supervisory Board is elected by the Annual Shareholders' Meeting and consisted of three members in fiscal year 2018. The members of the Supervisory Board are generally elected for a period of five years.

In accordance with German law, the company’s articles, its rules of procedure, and the corresponding recommendations of the German Corporate Governance Code – unless deviations are declared pursuant to Sec. 161 AktG – the Supervisory Board is in regular contact with the Management Board and monitors and advises it with regard to the management of business, and the company’s risk and opportunity management system.

The Supervisory Board meets at regular intervals to discuss with the Management Board all matters of relevance to the company regarding strategy and its implementation, as well as planning, the development of business, the risk position, risk management and compliance. Together with the Management Board, it discusses the quarterly and half-year reports before publication and approves annual budgets. It examines the annual financial statements of the parent company and the group and adopts them if it has no reservations. In doing so, it also takes the reports of the company’s external auditors into account.

The Supervisory Board’s responsibilities also include appointing members of the Management Board as well as determining and regularly monitoring their remuneration in compliance with the latest legal regulations and recommendations of the German Corporate Governance Code – unless deviations are declared pursuant to Sec. 161 AktG.

The Supervisory Board conducts regular tests to assess its own efficiency.

The members of the Supervisory Board complete the training and further education measures required for their tasks on their own, but receive appropriate support in this context from the company.

The Supervisory Board is convened at least once every quarter of a calendar year.

Supervisory Board meetings are convened in writing by its chairman at least 14 days in advance.

With meetings are convened, the Supervisory Board members are informed of the agenda items. If an agenda item has not been properly announced, a resolution concerning it may only be adopted if no Supervisory Board member objects prior to the vote.

Resolutions of the Supervisory Board are generally adopted at meetings. Meetings are chaired by the Chairman of the Supervisory Board. If so arranged by the Chairman, resolutions may also be adopted outside of meetings by other means, for example by phone or e-mail, if no member objects to this procedure.

The Supervisory Board has a quorum if all 3 members participate in the resolution. A member shall also be deemed to participate in a resolution if he abstains from voting.

Unless the law prescribes otherwise, resolutions of the Supervisory Board are adopted with a simple majority.

Minutes are kept of the Supervisory Board’s discussions and resolutions.

The Chairman of the Supervisory Board is authorized to submit on behalf of the Supervisory Board the declarations of intent required for the implementation of the Supervisory Board’s resolutions.

Targets for the composition of the Supervisory Board / status of implementation

The company’s Supervisory Board aims to achieve a composition of the Supervisory Board that enables qualified supervision and advice for the company’s Management Board.

In view of

- the size of the Supervisory Board (three members),
- the business in which the company operates,
- the size and structure of the company,
- the scope of the company’s international activities
- its current shareholder structure

the company’s Supervisory Board has adopted the following targets for its future composition. These take into account the statutory requirements both with regard to the requirements placed on individual Supervisory Board members and with regard to the composition of the entire Supervisory Board and – unless expressly stated otherwise – the requirements of the German Corporate Governance Code. In particular, a skills profile is planned with regard to the overall body.

The Supervisory Board will take these targets into account in the case of nomination proposals and make sure that the candidates meet the respective requirements. The specific situation of the company must be taken into consideration.

Requirements for individual members

The company's Supervisory Board aims to ensure that each Supervisory Board member meet the following requirements:

General requirement profile

Each member of the Supervisory Board should have the requisite knowledge and experience to enable them to carefully monitor and advise the company and to assess any risks for the company's business. Moreover, the Supervisory Board will ensure that all its members have a personal profile that enables them to maintain the company's public reputation.

Time availability

All members of the Supervisory Board must have sufficient time to exercise their duties with due care throughout the entire period of office. In particular, the members of the Supervisory Board should observe the legal requirements and those of the German Corporate Governance Code regarding the permissible number of Supervisory Board mandates.

Conflicts of interest

Supervisory Board members should not engage in any other activities likely to cause frequent conflicts of interest. These include management positions with key competitors.

Age limit for Supervisory Board members

As a rule, members of the Supervisory Board should not have reached the age of 70 at the time of their election or re-election.

No regular limit for duration of membership

There is no standard time limit to membership of the Supervisory Board – a recommendation of the current Corporate Governance Code – as the Supervisory Board believes that such a restriction is inappropriate compared to other criteria for nominating Supervisory Board members and that it is ultimately at the discretion of the Annual Shareholders' Meeting to elect those candidates to the Supervisory Board whom they believe are best suited to represent their interests.

Requirements regarding the composition of the Supervisory Board as a whole

In addition to the individual requirements for Supervisory Board members, the company's Supervisory Board aims to ensure that the Supervisory Board as a whole meets the following requirements:

Skills profile for the Supervisory Board as a whole

The members of the Supervisory Board must collectively have the knowledge, skills and professional experience necessary for them to carry out their tasks as required. The Supervisory Board strives to ensure that the Supervisory Board as a whole covers the widest possible range of knowledge and experience relevant to the company, and in particular meets the following requirements:

- In-depth knowledge and experience of the telecommunications and internet sector;
- Expertise or experience from other sectors of the economy;
- Entrepreneurial or operational experience;
- At least one member with several years of experience working abroad or working for a company with international activities;
- At least one member with special knowledge and experience in the application of accounting principles and internal control processes;
- In-depth knowledge and experience of controlling and risk management;
- In-depth knowledge and experience in the field of governance and compliance.

Diversity

The Supervisory Board aims to ensure that the Supervisory Board is composed of a wide variety of members so that the Supervisory Board as a whole has sufficient diversity of opinion and knowledge. In its nominations, the Supervisory Board will take into account the diversity concept established by the company.

Independence

The Supervisory Board aims to ensure that at least two of its three members are independent within the meaning of the criteria set out in Section 5.4.2 of the German Corporate Governance Code (GCGC).

Current composition of the Supervisory Board / implementation status

The company’s Supervisory Board is of the opinion that the stated targets for the composition of the Supervisory Board are currently fulfilled. The Supervisory Board re-elected by the Annual Shareholders' Meeting 2015 continued to comprise the following three independent members – as defined by the criteria of Section 5.4.2 GCGC – in fiscal year 2018:

- Kurt Dobitsch, chair
- Michael Scheeren, deputy chair
- Kai-Uwe Ricke

Subject to the formation of short fiscal years, the current term of office of the Supervisory Board members ends on expiry of the Annual Shareholders' Meeting of the year 2020.

Management Board

Working procedures of the Management Board

The Management Board is the body charged with managing the Group’s operations. In fiscal year 2018, it consisted of three persons (two persons as of July 1, 2018). The Management Board conducts operations in accordance with its legal and statutory obligations as well as the rules of procedure approved by the Supervisory Board and the corresponding recommendations of the German Corporate Governance Code – unless deviations are declared pursuant to Sec. 161 AktG.

It is responsible for preparing the interim and annual financial statements as well as for appointing key managers within the company.

Decisions of fundamental importance require the approval of the Supervisory Board. The Management Board reports to the Supervisory Board in accordance with the statutory provisions of Sec. 90 AktG and provides the Chairman of the Supervisory Board at least once a month with an oral overview – and at the request of the Chairman of the Supervisory Board also in writing – of the current status of relevant reporting items pursuant to Sec. 90a AktG. The Chairman of the Supervisory Board is thus informed without delay by the Chairman or Speaker of the Management Board, or the Chief Financial Officer, about important events that are essential for assessing the company's situation and development, as well as for the management of the company. Important items also include any substantial deviation from the budget or other forecasts of the company. The Chairman or Speaker of the Management Board, or Chief Financial Officer, shall also inform the Chairman of the Supervisory Board, in advance where possible otherwise immediately thereafter, about all ad hoc announcements of the company pursuant to Art. 17 MAR.

There is also an age limit of 70 for members of the Management Board. This requirement is also currently complied with in full.

The Management Board conducts the company's business with joint responsibility and according to common objectives, plans and policies. Irrespective of the joint responsibility of the Management Board, each member bears responsibility for his assigned division, but is required to subordinate the interests of his assigned division to the overall good of the company.

The full Executive Board regulates the division of responsibilities in a business distribution plan.

The Management Board members inform each other about important events within their divisions. Matters of greater importance which are not approved in the budget must be discussed and decided by at least two Management Board members, whereby one of the two Management Board members must be responsible for the Finance division.

Irrespective of their areas of responsibility, all Management Board members constantly monitor those data which are crucial for the company's business development so they are always able to help avert potential disadvantages, or implement desirable improvements and expedient changes by drawing them to the attention of the full Management Board.

The full Management Board resolves on all matters of particular importance and scope for the company or its subsidiaries and investment companies.

Resolutions are adopted by the full Management Board with a simple majority. Should the vote result in a tie, the Chairman of the Management Board has a casting vote. The resolutions of the Management Board are recorded in the minutes.

The full Management Board meets regularly once a month and otherwise as required.

Each Management Board member immediately discloses any conflict of interest to the Supervisory Board.

Current composition of the Management Board

The Management Board of United Internet AG comprised the following two (three) members in fiscal year 2018:

- Ralph Dommermuth, company founder and Chief Executive Officer
  (with the company since 1988)
- Frank Krause, Chief Financial Officer
  (with the company since 2015)

- Jan Oetjen, Management Board member responsible for Consumer Applications – until June 30, 2018
  (with the company since 2008)

Targets for the share of women on the Supervisory Board, Management Board and in management positions / implementation status

The "Law on Equal Participation of Men and Women in Private-Sector and Public-Sector Management Positions" (FührposGleichberG) of April 24, 2015 resulted in amendments to the German Stock Corporation Law and a number of other laws.

The new legislation has led to the following obligations in particular for United Internet AG:

- setting of targets by the Supervisory Board for the share of women on the Supervisory Board of United Internet AG
- setting of targets by the Supervisory Board for the share of women on the Management Board of United Internet AG
- setting of targets by the Management Board for the share of women on the first and second management levels below the Management Board of United Internet AG

The first targets had to be set by September 30, 2015 for a period ending no later than June 30, 2017, during which time the targets should be met. The following targets are to be set for a period of no more than five years.

After careful examination, the Supervisory Board and Management Board of United Internet AG adopted the following based on a resolution of May 18, 2017:

- The Supervisory Board sets the deadline for the attainment of the targets for the share of women on the Supervisory Board and Management Board as the expiry of the Annual Shareholders' Meeting that decides on the discharge of the Supervisory Board for the fiscal year 2019 (probably May 2020). The Supervisory Board is to be re-elected at this Annual Shareholders' Meeting.
- A target of "0" is set for the Supervisory Board. The Supervisory Board currently comprises only men. No personnel changes or expansion of the Supervisory Board are planned or envisaged.
- A target of "0" is set for the Management Board. The Management Board also currently comprises only men. No personnel changes or expansion of the Management Board are planned or envisaged. The Supervisory Board believes that the government's aim to raise the share of women is subordinate to the interests of the company to continue the successful work conducted by experienced Management Board members and a Management Board size which is tailored to the needs of the company.
- With regard to the share of women on the Supervisory Board and Management Board, the Supervisory Board reserves the right to resolve again on the target within the deadline period for attainment should there be any indication of a new appointment.

No target was set for the first and second management levels as United Internet AG does not have any management levels below the Management Board due to its holding structure.

The Supervisory Board and Management Board of United Internet AG regard the above mentioned targets as fulfilled without exemption at present.

Diversity concept (Secs. 289f (2) No. 6, 315d HGB)

The company aims to ensure that the Management Board and Supervisory Board are composed of many different types of people and that the bodies as a whole have a sufficiently wide variety of opinions and knowledge. In particular, the following criteria should be taken into account:

- The members of the Management Board and Supervisory Board should complement each other within their respective committees with regard to their experience, education and professional background in order to develop a good understanding of the current status and the longer term opportunities and risks associated with the company's business activities.
- For the reference period up to the expiry of the Annual Shareholders' Meeting that decides on the discharge of the Supervisory Board for the fiscal year 2019 (probably May 2020), the Management Board and Supervisory Board have each set a target value of "0" for the share of women, since at present both bodies are composed exclusively of men. In principle, however, both sexes should be treated equally on the basis of their qualifications, and in the case of new appointments the aim is to achieve a balanced composition of the Management Board and Supervisory Board.
- With the exception of an age limit of 70, no differentiation is made according to age for the members of the Management Board and Supervisory Board, and the sole differentiation should be according to the required knowledge and experience.
- In view of the current size of the Management Board and Supervisory Board, consisting of just two and three members respectively, no targets have been set with regard to geographical origin. In order to ensure international experience, the Supervisory Board already stipulates that at least one member of the Supervisory Board should have several years of experience abroad or have gained operational experience with an internationally active company.

The Management Board and Supervisory Board believe that the above diversity requirements for the Management Board and Supervisory Board are currently fulfilled. The company considers additional or more specific criteria to be inappropriate. In view of the size of the Management Board and Supervisory Board, consisting of two and three members respectively, more or more specific diversity aspects would create considerable difficulties to fill the positions taking into account all diversity criteria.

Annual Shareholders' Meeting

The Annual Shareholders' Meeting is the body which formulates and expresses the interests of the shareholders of United Internet AG. At the ordinary Annual Shareholders' Meeting, the annual financial statements of the parent company and consolidated financial statements are presented to the shareholders. The shareholders decide on the appropriation of the balance sheet profit and vote on resolutions concerning other statutory topics, such as releasing the Management Board members from their responsibility for the past fiscal year and appointing external auditors. Each share entitles the owner to one vote. All shareholders who register in time and are listed in the Share Register on the day of the Annual Shareholders' Meeting are entitled to attend. Shareholders may also exercise their rights at the Annual Shareholders' Meeting by means of a proxy vote. The company provides a proxy who votes according to the shareholder's instructions, providing he receives the required order.

Compliance

Compliance is an integral component of corporate and management culture throughout the United Internet Group. For United Internet AG, compliance means ensuring its activities comply with all relevant laws for its business, as well as with its own principles and regulations.

This includes open and fair communication with our employees, customers, business partners, shareholders and the public. As an internet service provider with several million customers and a large number of business partners, United Internet's legally and ethically compliant behavior is vital for retaining the trust of its customers and business associates.

To ensure conduct in line with our corporate culture, the Management Board has created a binding framework for the company's ethical principles and values. Moreover, it has defined values and management guidelines, and compiled the most important rules of behavior in a Code of Conduct. This "culture of cooperation" provides guidance for employees in their everyday work and creates a secure framework for making the correct decisions. The framework applies equally to the Management Board, directors, managers and all employees.

The Management Board has established a Compliance Organization to ensure adherence to the legal and internal regulations.

The Compliance Organization is part of an holistic risk management system which not only includes the "GRC" functions Corporate Governance, Risk Management & Compliance, but also the Corporate Audit and Legal Department. These risk-mitigating functions are headed by the Group General Counsel, who reports directly to the CFO of United Internet AG.

The Compliance Organization is responsible for the creation of suitable structures and processes to support the implementation of compliance throughout the company and to align measures with the respective risks. The compliance processes include release procedures in the field of corruption prevention and trustworthy reporting paths that give employees the possibility to highlight possible misconduct or legal violations within the company.

The compliance organization is present and anchored in the business units via functional and local Compliance Managers (FCMs and LCMs). In addition to their normal functions, the FCMs and LCMs support the area of compliance.

The overarching element of the compliance system remains the responsibility of all managers for compliance. This includes acting as a role model, as enshrined in the company's management guidelines, and goes beyond this: all managers of the company must set an example with regard to compliance and ensure that decisions and actions in their area of responsibility are always in line with the relevant legal provisions and the company's own values and rules.

Financial disclosures / transparency

It is the declared aim of United Internet to inform institutional investors, private shareholders, financial analysts, employees and the public simultaneously and with equal treatment about the company's situation by means of regular, open and up-to-date communication.

To this end, all important information, such as press releases, ad-hoc announcements and other mandatory disclosures (e.g. directors' dealings and notifications of voting rights), as well as all financial reports, are published in accordance with statutory regulations. In addition, United Internet provides extensive information on its corporate website (www.united-internet.de), where documents and information on Annual Shareholders' Meetings and other economically relevant facts can be found.

United Internet provides shareholders, analysts and the press with four reports each fiscal year on the company's business development and its financial and earnings position. The publication dates of these reports are stated in a binding financial calendar, which the company posts on its website and regularly updates in accordance with legal obligations.

The Management Board also provides immediate information in the form of ad-hoc announcements about any events not known to the public which might significantly affect the share price.

As part of its investor relations activities, the company's management team regularly meets with analysts and institutional investors. We also hold analyst conferences to announce our semi-annual and annual figures, which investors and analysts can also participate in via telephone.

Accounting and auditing

The Group's accounts are drawn up according to the principles of the International Financial Reporting Standards (IFRS, as applicable in the EU) with consideration of Sec. 315e HGB. However, the annual financial statements of the parent company – relevant for all dividend and tax matters – are drawn up according to the rules of the German Commercial Code (HGB). The annual financial statements and the consolidated financial statements are audited by independent auditors. The respective auditing company is selected by the Annual Shareholders' Meeting. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, was elected to audit the annual financial statements for the fiscal year 2018. The Supervisory Board issues the auditing mandate, determines auditing focal points, approves the auditing fee and examines the independence of the auditors.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft has audited the annual financial statements of United Internet AG and the Group since the fiscal year 2002. Mr. Andreas Grote has the responsible auditor since fiscal year 2012.

Remuneration of Management Board and Supervisory Board

The principles of remuneration for the Management Board and Supervisory Board are presented in section 8 of this Management Report. The disclosure of remuneration for members of the Management Board and Supervisory Board, according to person and its fixed and variable components (in line with legal regulations and the recommendations of the German Corporate Governance Code), is to be found in the Remuneration Report and section 42 of the notes to the consolidated financial statements.

Stock option plans

The principles of the stock-based compensation plan of United Internet AG are described in the Remuneration Report in section 8 of this Management Report. Further details are provided in section 37 of the notes to the consolidated financial statements.

Declaration of conformity with regard to the recommendations of the German Corporate Governance Code in accordance with Sec. 161 German Stock Corporation Act (AktG)

The corporate governance of United Internet is based on the German Corporate Governance Code, which the Government Commission set up by the Federal Justice Minister in September 2001 published for the first time on February 26, 2002.

In addition to formulating current best practice with regard to corporate governance, the Code aims to make the German corporate governance system transparent and understandable. It strives to promote confidence in the management and supervision of listed German companies among international and national investors, customers, employees and the public.

The Government Commission reviews the Code annually to check whether it still complies with current corporate governance best practice and, where necessary, adjusts it accordingly.

On February 7, 2017, the 14th and current version of the German Corporate Governance Code was finalized and published on April 24, 2017 by the Federal Ministry of Justice and Consumer Protection in the Federal Gazette (http://www.bundesanzeiger.de).

The Code contains three different elements:

- regulations describing currently valid legal standards in Germany
- recommendations which comply with internationally and nationally recognized standards of good and responsible corporate governance
- suggestions which comply with internationally and nationally recognized standards of good and responsible corporate governance

German corporations are obliged to observe the legal regulations.

With regard to the recommendations, the German Stock Corporation Act (Sec. 161) requires listed companies to publish a declaration of conformity once per year.

Companies are allowed to deviate from the suggestions without the need for disclosure.

The recommendations and suggestions of the Code become valid on publication in the Federal Gazette.

On February 19, 2019, the Management Board and Supervisory Board of United Internet AG submitted their current annual declaration of conformity (presented below) in accordance with Sec. 161 AktG and immediately published it on the company's website (www.united-internet.de), as well as in the Federal Gazette.

In accordance with Section 161 German Stock Corporation Act (AktG), the Management Board and Supervisory Board of United Internet AG declare that:

Since its last Declaration of Conformity issued on February 20, 2018, United Internet AG complied with the recommendations of the German Corporate Governance Code (the "Code") in the version dated February 7, 2017 with the stated exceptions, and will comply with the recommendations of the Code in the currently valid version dated February 7, 2017, which came into force with publication in the Federal Gazette on April 24, 2017, with the following exceptions:

Deductibles in the case of D&O insurance policies for Supervisory Board members (section 3.8 para. 3 of the Code)

The D&O insurance policy for Supervisory Board members does not include any deductible. This is also not planned in the future as United Internet AG does not generally believe that the motivation and responsibility with which the members of the Supervisory Board conduct their duties can be improved by such a deductible.

Capping Management Board compensation (section 4.2.3 para. 2 sentence 6 of the Code)

The agreements regarding Management Board compensation do not include payment caps for the total amount. Although provision is made for caps on variable components, these are not expressed as a total but as a percentage of a fixed amount. As the Supervisory Board believes that the general capping of Management Board compensation intended by the Code's recommendation is already suitably reflected by the provisions of the current compensation agreements, it does not intend to comply in full with the Code's recommendation acc. to section 4.2.3 para. 2 sentence 6 in the future.

Formation of committees (section 5.3 of the Code)

In view of its current size with only three members, the Supervisory Board has not formed any committees and fulfills all its duties as a whole. Under these circumstances, the Supervisory Board cannot recognize how the formation of committees would improve the efficiency of its work.

Targets for the composition of the Supervisory Board (section 5.4.1 para. 2 and 3 of the Code)

Following the resolution of past uncertainties in the regulatory environment, the Supervisory Board specified first concrete objectives regarding its composition in a resolution adopted on December 16, 2015 and will take these objectives into consideration when making election proposals at future Annual Shareholders' Meetings. It was decided not to set a regular limit for the duration of membership to the Supervisory Board as the Supervisory Board believes that such a limitation is not appropriate compared to other criteria for nominating Supervisory Board members and that it is ultimately at the discretion of the Annual Shareholders' Meeting to elect those candidates to the Supervisory Board whom they believe are best suited to representing their interests. The specific objectives of the Supervisory Board and the status of their implementation are published in the Company's Corporate Governance Report.

Consideration of the Deputy Chair when setting compensation for Supervisory Board members
(section 5.4.6 para. 1 sentence 2 of the Code)

When setting compensation for Supervisory Board members, the position of the Deputy Chair of the Supervisory Board is not considered. The Deputy Chair of the Supervisory Board does not currently undertake any additional duties which would represent a greater burden compared to those of a regular Supervisory Board member.

Financial reporting
(section 7.1.2 sentence 4 of the Code)

Due to internal organizational reasons, United Internet AG will not publish its interim report for the first six months of 2019 until August 15, 2019.

8 REMUNERATION REPORT

Principles of the Management Board remuneration system

The Supervisory Board is responsible for determining the remuneration of Management Board members. The total compensation of individual members of the Management Board is determined by the Supervisory Board based on a performance assessment, taking into account any payments made by Group companies. Criteria for determining the appropriateness of remuneration are based on the responsibilities of the individual Management Board member, their personal performance, the economic situation, the performance and outlook of the company, as well as a review of the comparability of compensation with peer companies and the remuneration structure in place in other areas of the company.

The size of the remuneration components is regularly reviewed, whereby the Supervisory Board also takes account of Management Board remuneration in relation to compensation for senior management and the workforce of United Internet AG as a whole over time.

The remuneration received by the members of the Management Board of United Internet AG is performance-oriented and consists of fixed and variable elements.

The fixed remuneration component is paid monthly as a salary.

The size of the variable remuneration component depends on reaching certain, fixed financial targets agreed at the beginning of the fiscal year. These targets are based mainly on key sales and earnings figures. The target attainment corridor is generally between 90% to 120%. No bonus is paid below 90% of the agreed target and the bonus calculation is capped at 120% of the agreed target. There is no provision for subsequent amendment of the performance targets. No minimum payment of the variable remuneration component is guaranteed.

There is a component providing long-term incentives in the form of a compensation program based on virtual shares (SARs). The exercise hurdle of this program is 120% of the share price. Payment of value growth is capped at 100% of the calculated share price when the virtual options were granted.

Fringe benefits generally include a company car commensurate with the respective position, which is taxable as a benefit in kind.

There are no retirement benefits from the company to members of the Management Board.

Management Board members do not receive compensation for seats on supervisory boards of subsidiaries.

With regard to severance pay for members of the Management Board, United Internet AG bases its regulations on the recommendations of the German Corporate Governance Code:

- Payments made to a Management Board member on premature termination of their contract, including fringe benefits, are limited to the value of two years' compensation (severance pay cap) and to the remaining term of the employment contract
- The severance pay cap is calculated on the basis of total compensation for the past fiscal year and the expected total compensation for the current fiscal year
- If the employment contract is terminated for a serious cause for which the Management Board member is responsible, no payments are made to the Management Board member

For the duration of the 12-month prohibition to compete on termination of the service contract, the respective Management Board member receives compensation up to the amount of their fixed remuneration.

The following tables provide details on Management Board remuneration in accordance with the recommendations of the German Corporate Governance Code.

Value of benefits granted for the reporting period

The following table shows the value of benefits granted for the reporting period. It also shows the minimum and maximum values that can be achieved. For the one-year variable compensation, the target value (i.e. the value in the event of 100% target achievement) granted for the reporting period is stated. In addition, the multi-year variable compensation granted in the reporting period is broken down into different plans and the relevant periods of time are stated. For subscription rights and other share-based payments, the fair value at the time of granting is calculated.

Benefits granted (in €k)	Ralph Dommermuth				Frank Krause[1]			
	CEO				CFO			
	Since 2000				Since June 1, 2015			
	2017	2018	2018 (Min)	2018 (Max)	2017	2018	2018 (Min)	2018 (Max)
Fixed compensation	0	0	0	0	360	360	360	360
Fringe benefits	0	0	0	0	311	11	11	11
Total	0	0	0	0	671	371	371	371
One-year variable compensation	0	0	0	0	140	140	0	168
Multi-year variable compensation	0	0	0	0	0	0	0	0
Total	0	0	0	0	811	511	371	539
Service cost	0	0	0	0	0	0	0	0
Total compensation	0	0	0	0	811	511	371	539

Benefits granted (in €k)	Robert Hoffmann				Jan Oetjen[2]				Martin Witt[2]			
	Business Applications				Consumer Applications				Access			
	From January 1, 2013 to December 31, 2017				From October 1, 2014 to June 30, 2018				From October 1, 2014 to September 30, 2017			
	2017	2018	2018 (Min)	2018 (Max)	2017	2018	2018 (Min)	2018 (Max)	2017	2018	2018 (Min)	2018 (Max)
Fixed compensation	300				300	150	150	150	225			
Fringe benefits	12				13	7	7	7	9			
Total	312				313	157	157	157	234			
One-year variable compensation	200				200	100	0	120	150			
Multi-year variable compensation	0				0	0	0	0	0			
Total	512				513	257	157	277	384			
Service cost	0				0	0	0	0	0			
Total compensation	512				513	257	157	277	384			

(1) The fringe benefits of Mr. Frank Krause in 2017 result from the benefit in kind of a company car and a special payment of € 300,000

(2) The former Management Board members Mr. Jan Oetjen and Mr. Martin Witt received their compensation via subsidiaries of United Internet AG

Allocation for the reporting period

The following table contains the allocation for the reporting period (disbursement) for fixed compensation and the one-year variable compensation. The table also shows the allocation (disbursement) of multi-year variable compensation exercised in the reporting period. The amounts are broken down into different plans.

Allocation (in €k)	Ralph Dommermuth		Frank Krause[1]		Robert Hoffmann		Jan Oetjen[2]		Martin Witt[2]	
	CEO		CFO		Business Applications		Consumer Applications		Access	
	Since 2000		Since June 1, 2015		From January 1, 2013 to December 31, 2017		From October 1, 2014 to June 30, 2018		From October 1, 2014 to September 30, 2017	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Fixed compensation	0	0	360	360		300	150	300		225
Fringe benefits	0	0	11	311		12	7	13		9
Total	0	0	371	671		312	157	313		234
One-year variable compensation	0	0	140	140		200	100	200		150
Multi-year variable compensation	0	0	0	700		4,015	1,833	2,314		2,315
SAR program F 2012 (6 years)										199
SAR program H 2012 (6 years)						4,015				402
SAR program M 2012 (6 years)							1,833	2,314		1,714
SAR program O 2015 (6 years)				700						
Other	0	0	0	0		0	0	0		0
Total	0	0	511	1,511		4,527	2,090	2,827		2,699
Service cost	0	0	0	0		0	0	0		0
Total compensation	0	0	511	1,511		4,527	2,090	2,827		2,699

(1) The fringe benefits of Mr. Frank Krause in 2017 result from the benefit in kind of a company car and a special payment of € 300,000

(2) The former Management Board members Mr. Jan Oetjen and Mr. Martin Witt received their compensation via subsidiaries of United Internet AG; the exercise of SARs in fiscal year 2017 by Mr. Martin Witt took place after his departure from the Management Board of United Internet AG and during his subsequent position as Management Board member of the subsidiary 1&1 Drillisch AG

In the fiscal year 2018, the Management Board member Mr. Jan Oetjen exercised SARs (75,000 SARs with a strike price of € 31.15). In fiscal year 2017, the following Management Board members exercised SARs: Mr. Frank Krause (50,000 SARs with a strike price of € 40.00), Mr. Robert Hoffmann (250,000 SARs with a strike price of € 16.06), Mr. Martin Witt (115,000 SARs with a weighted strike price of € 25.54) and Mr. Jan Oetjen (150,000 SARs with a strike price of € 31.15).

In the IFRS consolidated financial statements of the United Internet Group, the following expenses were recognized for share-based payments to Management Board members: Mr. Ralph Dommermuth (€ 0k, prior year: € 0k), Mr. Frank Krause: € 334k (prior year: € 466k), Mr. Robert Hoffmann: € 0 (prior year: € 114k), Mr. Jan Oetjen: € 125k (prior year: € 211k), Mr. Martin Witt: € 0 (prior year: € 227k).

Further details on Management Board remuneration are provided in section 42.

Principles of the Supervisory Board remuneration system

In the fiscal year 2018, the members of the Supervisory Board of United Internet AG also served – in different constellations – on the supervisory boards of United Internet AG's most important subsidiaries, i.e. the supervisory boards of 1&1 Drillisch AG, Drillisch Online AG (until July 2018; after change in legal form: Drillisch Online GmbH) and 1&1 Telecommunication SE, 1&1 Internet SE (after change of name: 1&1 IONOS SE), as well as 1&1 Mail & Media Applications SE. The Supervisory Board members each receive separate compensation for their work on behalf of the companies mentioned.

In each case, this compensation consists of a fixed element and an attendance fee. The fixed remuneration refers in each case to a full fiscal year. For parts of a fiscal year, compensation is paid on a prorated basis.

The remuneration system for the Supervisory Board of United Internet AG adopted by the Annual Shareholders' Meeting 2015 consists of a fixed remuneration component for an ordinary member and the Deputy Chairman of the Supervisory Board of € 15,000 each per full fiscal year and for the Chairman of the Supervisory Board of € 30,000 per full fiscal year. In addition, each member of the Supervisory Board receives a payment of € 1,000 for each meeting they attend in person, or via telephone, video conference or corresponding connection. There are no stock option plans for members of the Supervisory Board.

The new remuneration system for the Supervisory Board of 1&1 Drillisch AG adopted by the Annual Shareholders' Meeting 2018 consists of a fixed remuneration component for an ordinary member of the Supervisory Board of € 45,000 each per full fiscal year and for the Chairman of the Supervisory Board of € 55,000 per full fiscal year. In addition, each member of the Supervisory Board receives a payment of € 1,000 for each meeting they attend in person, or via telephone, video conference or corresponding connection. There are no stock option plans for members of the Supervisory Board.

In the course of their duties for Drillisch Online AG (until July 2018; after change in legal form: Drillisch Online GmbH), the fixed remuneration component for an ordinary member of the Supervisory Board, for the Deputy Chairman of the Supervisory Board, and for the Chairman of the Supervisory Board € 10,000 per full fiscal year in each case. In addition, each member of the Supervisory Board receives a payment of € 1,000 for each meeting they attend in person, or via telephone, video conference or corresponding connection.

In the course of their duties for 1&1 Telecommunication SE, the fixed remuneration component for an ordinary member of the Supervisory Board, for the Deputy Chairman of the Supervisory Board, and for the Chairman of the Supervisory Board is € 10,000 per full fiscal year in each case. In addition, each member of the Supervisory Board receives a payment of € 1,000 for each meeting they attend in person, or via telephone, video conference or corresponding connection.

In the course of their duties for 1&1 Internet SE (after change of name: 1&1 IONOS SE), the fixed remuneration component for an ordinary member and the Deputy Chairman of the Supervisory Board is € 30,000 each per full fiscal year, and for the Chairman of the Supervisory Board € 35,000 per full fiscal year. In addition, each member of the Supervisory Board receives a payment of € 1,000 for each meeting they attend in person, or via telephone, video conference or corresponding connection.

In the course of their duties for 1&1 Mail & Media Applications SE, the fixed remuneration component for an ordinary member of the Supervisory Board is € 15,000 per full fiscal year, and for the Deputy Chairman and Chairman of the Supervisory Board € 25,000 each per full fiscal year. In addition, each member of the Supervisory Board receives a payment of € 1,000 for each meeting they attend in person, or via telephone, video conference or corresponding connection.

Specific details on Supervisory Board compensation is provided in section 42 of the notes to the consolidated financial statements.

Employee stock ownership plans

Virtual stock option program for management (SAR)

For many years now, United Internet AG has operated a stock-based compensation plan which enables its managers to participate in the company's success and is aimed at enhancing staff loyalty. The plan takes the form of a virtual stock option program.

Virtual stock options, or Stock Appreciation Rights (SARs), refer to the commitment of United Internet AG to pay the beneficiary a cash amount equivalent to the difference between the share price on the date of granting the option and the share price on exercising the option. The exercise hurdle is 120% of the share price, which is calculated as the average closing price in electronic trading (Xetra) of the Frankfurt Stock Exchange over the ten days preceding issuance of the option. Payment of value growth to the entitled person is limited to 100% of the calculated share price when the virtual options were granted.

An SAR corresponds to a virtual subscription right for one share of United Internet AG. However, it is not a share right and thus not a (genuine) option to acquire shares of United Internet AG. United Internet AG retains the right to fulfill its commitment to pay the SAR in cash by also transferring United Internet AG shares from its stock of treasury shares to the beneficiary, at its own discretion. Employees may exercise their option rights after expiry of certain minimum retention periods. The increase in value represents a taxable gain for employees. The SARs have a maturity of no more than six years.

Option rights can be exercised as follows: up to 25% of the option right may be converted at the earliest 24 months after the date of issue of the option; up to 50% at the earliest 36 months after the date of issue of the option; a total of up to 75% may be exercised at the earliest 48 months after the date of issue of the option; the full amount may be exercised at the earliest 60 months after the date of issue of the option.

Stock-based compensation for employees

In addition to its long-standing employee stock ownership program for management, United Internet AG introduced a wide-ranging program for its employees in Germany in the fiscal year 2016, which ended in mid-2018.

The aim of the program was to
- involve employees more directly in the development of the company and its share,
- raise staff motivation and performance,
- honor the loyalty of staff to the United Internet Group,
- and at the same time support the development of the company.

Against this backdrop, the employee stock ownership program ("ESOP") was designed in the form of a stock-based compensation plan. The program consisted of two components:

- Firstly, qualifying employees received the option to buy a specific number of shares in United Internet AG at a reduced price, which they then had to hold for a period of two years (vesting period).
- On completion of the vesting period, participants were granted further shares for free, provided they were still working for the company – whereby employees of companies participating in "performance matching" received additional shares if certain pre-defined targets were reached.

Both the discounted acquisition of the shares and the free allocation of additional shares after the end of the vesting period represented a taxable non-cash benefit.

Employees at international locations were offered a different (non-stock-based) incentive system for tax reasons.

Further details on employee stock ownership plans are provided in section 37 of the notes to the consolidated financial statements.

9 DEPENDENT COMPANY REPORT

In compliance with Sec. 312 (1) AktG, the Management Board declares that the company received adequate compensation (quid pro quo) for all legal transactions and measures listed in the report on relations with affiliated companies, in accordance with the circumstances known at the time when such transactions or measures were carried out, or the measure involved was executed or omitted, and that the company was not disadvantaged by such measures being executed or omitted.

Montabaur, March 22, 2019

The Management Board

Ralph Dommermuth | Frank Krause

ANNUAL FINANCIAL STATEMENTS OF THE PARENT COMPANY ACC. TO HGB AS AT DECEMBER 31, 2018

CONTENTS

United Internet AG, Montabaur
Balance sheet as of December 31, 2018

Assets	December 31, 2018 EUR	December 31, 2018 EUR	December 31, 2017 EUR
A. Non-current assets			
I. Intangible assets			
Concessions, industrial and similar rights and assets as well as licenses in such rights and assets acquired for consideration		8,675.00	23,844.00
II. Property, plant and equipment			
Other equipment, operational and office equipment		21,847.00	71,905.00
III. Financial assets			
1. Shares in affiliated companies	3,668,830,203.75		3,101,018,302.35
2. Loans to affiliated companies	2,312,455,266.76		1,851,550,000.00
		5,981,285,470.51	4,952,568,302.35
		5,981,315,992.51	4,952,664,051.35
B. Current assets			
I. Accounts receivable and other assets			
1. Receivables due from affiliated companies	207,087,389.45		832,041,055.31
2. Other assets	40,748,512.85		41,440,329.48
		247,835,902.30	873,481,384.79
II. Securities			
Other securities		3,742,322.96	
III. Cash in hand and bank balances		731,841.30	7,662,086.23
		252,310,066.56	881,143,471.02
C. Prepaid expenses		204,894.00	161,137.64
		6,233,830,953.07	5,833,968,660.01

Equity and liabilities	December 31, 2018 EUR	December 31, 2018 EUR	December 31, 2017 EUR
A. Equity			
I. Capital stock (conditional capital: EUR 25,000,000.00)	205,000,000.00		205,000,000.00
less treasury shares	-4,702,990.00		-4,993,289.00
		200,297,010.00	200,006,711.00
II. Capital reserves		457,976,677.74	457,976,677.74
III. Revenue reserves			
Other revenue reserves		379,801,899.06	364,317,980.53
IV. Balance sheet profit		2,579,262,280.97	2,544,414,430.21
		3,617,337,867.77	3,566,715,799.48
B. Accruals			
1. Accrued taxes	76,882,272.04		55,049,362.29
2. Other accrued liabilities	3,914,372.23		9,496,298.03
		80,796,644.27	64,545,660.32
C. Liabilities			
1. Liabilities due to banks	1,943,804,593.00		1,952,789,252.00
2. Trade accounts payable	1,033,786.07		337,498.11
3. Liabilities due to affiliated companies	574,960,843.49		233,744,078.98
4. Other liabilities thereof from taxes EUR 5,449,614.83 (prior year: EUR 10,762,507.55)	5,449,614.83		10,762,507.55
		2,525,248,837.39	2,197,633,336.64
D. Deferred tax liabilities		10,447,603.64	5,073,863.57
		6,233,830,953.07	5,833,968,660.01

United Internet AG, Montabaur
Income Statement for 2018

				2017
		EUR	EUR	EUR
1.	Sales	12,948.84		853,101.15
2.	Other operating income	147,643,068.83		1,434,786,221.78
			147,656,017.67	1,435,639,322.93
3.	Personnel expenses			
	a) Wages and salaries	594,079.14		5,425,867.95
	b) Social security contributions	22,686.56		30,169.74
4.	Depreciation and amortization of intangible assets and property, plant and equipment	38,354.00		46,645.00
5.	Other operating expenses	36,882,631.57		13,783,834.95
			37,537,751.27	19,286,517.64
6.	Income from profit transfer agreements	117,723,632.39		141,462,503.39
7.	Income from investments thereof from affiliated companies EUR 209,631,358.23 (prior year: EUR 0.00)	209,631,358.23		0.00
8.	Income from loans in financial assets thereof from affiliated companies EUR 113,104,267.06 (prior year: EUR 96,986,618.24)	113,104,267.06		96,986,618.24
9.	Other interest and similar income thereof from affiliated companies EUR 10,573,025.64 (prior year: EUR 13,981,328.10)	11,775,094.09		13,981,328.10
10.	Expense from loss transfer	263,570,421.50		10,461,211.00
11.	Interest and similar expenses thereof to affiliated companies EUR 915,295.01 (prior year: EUR 3,918,891.09)	25,487,323.31		37,977,683.22
			163,176,606.96	203,991,555.51
12.	Taxes on income thereof income from the change in disclosed deferred taxes EUR 5,373,740.07 (prior year: expense EUR 5,501,498.53)		68,440,399.25	77,909,915.96
13.	Result after taxes		204,854,474.11	1,542,434,444.84
14.	Other taxes		919.00	1,588.00
15.	Net profit for the year (prior year: net loss for the year)		204,853,555.11	1,542,432,856.84
16.	Profit carried forward		2,374,408,725.86	1,001,981,573.37
17.	Balance sheet profit		2,579,262,280.97	2,544,414,430.21

UNITED INTERNET AG, MONTABAUR

Notes to the Financial Statements for Fiscal Year 2018

GENERAL PROVISIONS

The annual financial statements for fiscal year 2018 were prepared in accordance with Sections 242 ff. and Sections 264 ff. German Commercial Code (HGB), as well as with the respective provisions of the German Stock Corporation Law (AktG).

United Internet AG, Montabaur, is registered under number 5762 in Commercial Register B of the Local Court of Montabaur and is classified as a large corporation pursuant to Sec. 267 (3) HGB due to its capital market orientation.

The annual financial statements are based on the provisions of the German Commercial Code and Stock Corporation Act, as amended.

The income statement is prepared according to the cost summary method.

In order to enhance the clarity of presentation, disclosures on the composition of line items, and in some cases “thereof” references, are included in these notes.

Reference is made to the fact that consolidated financial statements have been prepared according to International Financial Reporting Standards (IFRS), as applied in the EU, to comply with the listing requirements for the Prime Standard segment of the Frankfurt Stock Exchange and have been disclosed in accordance with Sec. 325 HGB with reference to Sec. 315e HGB.

INFORMATION ABOUT THE COMPANY

The business activities of United Internet AG (United Internet) go back to "Eins & Eins EDV Marketing GmbH”, which was founded by Mr. Ralph Dommermuth and two other shareholders in 1988. The name of this marketing company was changed to "1&1 EDV Marketing GmbH”, before being finally renamed as "1&1 Holding GmbH” in 1993.

United Internet AG was founded on January 29, 1998 as a new holding company for the 1&1 Group, with the name 1&1 Aktiengesellschaft & Co. Kommanditgesellschaft auf Aktien, a partnership limited by shares. The Company was entered into the commercial register at the Local Court of Montabaur against HRB 5762 on February 16, 1998. 1&1 Holding GmbH was subsequently merged into the Company with effect from January 1, 1998.

On March 20, 1998 the Company’s shares were admitted to the Regulated Market of the Frankfurt Stock Exchange with a listing in the Neuer Markt segment. The shares were traded for the first time on March 23, 1998.

The extraordinary shareholders’ meeting on February 22, 2000 adopted a resolution to change the name of the Company to United Internet Aktiengesellschaft & Co. KGaA. The new name was entered in the commercial register on February 23, 2000.

The change of legal form to a stock corporation by the name of United Internet AG, also decided on February 22, 2000, was entered in the commercial register on March 23, 2000.

PURPOSE OF THE COMPANY

The purpose of the Company is to provide marketing, selling and other services, especially in the fields of telecommunications, information technology, including the Internet, and data processing or related areas. The Company's purpose also includes the acquisition, holding and management of investments in other companies, especially those operative in the aforementioned business segments. The Company is entitled to bring companies in which it holds an investment under its common control and may restrict itself to the management or administration of its investments.

The Company is authorized to acquire or hold investments in all types of companies in Germany and other countries and to transact all business that is conducive to its purpose. The Company is also authorized to conduct its business through subsidiaries, associated companies and joint ventures. It may outsource or transfer all or part of its operations to affiliated companies.

MANAGEMENT AND REPRESENTATION OF THE COMPANY

The Company's Management Board manages and represents the Company. According to its by-laws, the Management Board has one or more members, the number of which is determined by the Supervisory Board. If the Management Board has only one member, the Company is represented by this person. If it has more than one member, the Company is represented by two members of the Management Board or by one member of the Management Board collectively with a person holding power of attorney; however, the Supervisory Board may authorize particular members of the Management Board to represent the Company on their own.

ACCOUNTING AND VALUATION METHODS

All figures are in euro (€), thousand euro (€k), million euro (€m), or billion euro (€bn).

The following accounting and valuation methods continued to be used in the preparation of the annual financial statements.

Purchased **intangible assets** are carried at cost and amortized in scheduled amounts over their useful lives (3 years, straight-line method) insofar as they are subject to wear and tear.

Property, plant and equipment are carried at cost and depreciated over their expected useful lives using the straight-line method. Depreciation of additions to property, plant and equipment is always made pro rata temporis. Individual items with a low net value of up to € 250.00 are fully expensed in the year of acquisition; it is assumed that they are disposed of immediately.

Operational equipment is usually depreciated over 4 to 5 years. Leasehold improvements are generally written off over a period of 10 years or the shorter lease period. The expected useful life of office furniture and equipment is 8 to 13 years, that of the vehicles is 6 years.

Shares in affiliated companies disclosed under **financial assets** are reported at the lower of cost or – in the case of permanent impairment – market value, while loans are always stated at the lower of nominal or – in the case of permanent impairment – market value.

Receivables and other assets are stated at nominal value. All risk-bearing items, which are significant in terms of amount, are covered by reasonable allowances.

The **other securities** held as current assets were measured at cost or, if applicable, in accordance with Section 253 (4) of the German Commercial Code (HGB), at the lower of stock exchange and market price on the reporting date.

Tax accruals and **other accruals** consider all contingent liabilities, recognizable risks, and impending losses. They are carried at the settlement amount computed in accordance with prudent commercial practice (i.e. including future cost and price increases). Accruals with a remaining term of more than one year are discounted. As of the balance sheet date, the employee stock ownership program of the United Internet Group is carried at the prorated fair value of the obligation. The obligations are measured on each balance sheet date from the grant date until their settlement. Fair value is calculated with the aid of recognized financial models and is recognized pro rata temporis as a personnel expense over the vesting period.

Liabilities are stated at their settlement amount.

Deferred taxes are calculated due to temporary or quasi-permanent differences between the commercial law valuation of assets, liabilities and prepaid expenses and their tax valuation, or due to tax loss carryforwards. They are measured using the Company’s individual tax rates at the point in time when the differences reverse. The amounts of the resulting tax burden or relief are not discounted. Deferred tax assets and liabilities are netted.

Assets and liabilities denominated in foreign currencies are translated at the average spot rate on the balance sheet date. In the case of remaining terms of over one year, the realization principle (Sec. 252 (1) No. 4 Half-sentence 2 HGB) and the acquisition cost principle (Sec. 253 (1) Sentence 1 HGB) are applied. The “thereof-currency-translation” comments stated in the notes include both recognized and unrecognized exchange rate differences.

NOTES TO BALANCE SHEET ITEMS

NON-CURRENT ASSETS

Reference is made to the non-current asset movement schedule (exhibit 1 of the notes) for the classification and development of non-current assets and disclosure of depreciation and amortization in the fiscal year.

Intangible assets

Intangible assets in the reporting period mainly concern licenses.

Property, plant and equipment

In the reporting period, investments in this area solely concern furniture and fixtures.

Financial assets

Information on the equity situation and results of operations of the affiliated companies, stating the respective shareholding, is included in the list of shareholdings (exhibit 2 of the notes).

CURRENT ASSETS

Receivables and other assets

The classification and maturities of receivables and other assets are shown in the following table (in €k):

	Dec. 31, 2018	Dec. 31, 2018			Dec. 31, 2017
	Total	up to 1 year	Remaining term of 1 to 5 years	over 5 years	Total *
Accounts receivable from affiliated companies	207,087	207,087	0	0	832,041
Other assets	40,749	40,749	0	0	41,440
	247,836	**247,836**	**0**	**0**	**873,481**

* All remaining terms up to 1 year.

Receivables from affiliated companies mainly comprise receivables from the United Internet Group's internal cash management system due from 1&1 Drillisch AG amounting to € 32,000k, due from United Internet Corporate Services GmbH amounting to € 29,039k, due from United Internet Investments Holding AG & Co. KG amounting to € 11,276k, and due from 1&1 Internet Holding SE amounting to € 10,913k.

Moreover, receivables from affiliated companies result from profit transfer agreements due from 1&1 Mail & Media Applications SE amounting to € 93,575k, and due from United Internet Corporate Services GmbH amounting to € 24,148k. Receivables from affiliated companies from the purchase of services are mainly due from United Internet Media GmbH amounting to € 2,672k and from 1&1 Mail & Media GmbH amounting to € 1,704k.

Other assets consist mostly of receivables due from the tax office (€ 38,978k).

EQUITY

The Company has the legal form of a stock corporation (“Aktiengesellschaft”).

Capital stock and shares

As in the previous year, the fully paid-in capital stock on December 31, 2018 amounted to € 205,000,000.00 divided into 205,000,000 registered no-par shares having a theoretical share in the capital stock of € 1.00 each.

As of December 31, 2018 the Company held 4,702,990 treasury shares, which in accordance with Sec. 272 (1)a HGB are deducted from capital stock on the face of the balance sheet.

Approved capital

The Company’s Management Board is authorized, subject to the approval of the Supervisory Board, to increase the capital stock by a maximum of € 102,500,000.00 in the period ending May 20, 2020 by issuing on one or more occasions new no-par common shares in return for cash and/or non-cash contributions.

In the case of a capital increase in return for cash contributions, the shareholders shall be granted subscription rights. However, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the right to subscribe in the case of fractional amounts and also to exclude the right to subscribe to the extent that this should be necessary in order to grant subscription rights for new shares to bearers of warrants, convertible bonds or warrant bonds issued by the Company or subordinated Group companies in the amount to which they are entitled on conversion of their conversion or warrant rights or fulfillment of their conversion obligation. The Management Board is also authorized, subject to the approval of the Supervisory Board, to exclude the right of shareholders to subscribe in the case that the issue amount of the new shares is not substantially lower than the quoted market price of Company shares with the same terms at the time of finalizing the issue amount and the shares issued in accordance with Sec. 186 (3) Sentence 4 AktG do not exceed in total 10% of capital stock. Shares sold or issued due to other authorizations in direct or corresponding application of Sec. 186 (3) Sentence 4 AktG under exclusion of subscription rights are to be accounted for in this limitation.

Furthermore, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the right of shareholders to subscribe in the case of capital increases in return for non-cash contributions, especially in connection with the acquisition of companies, shareholdings or assets.

Conditional capital

Capital stock has been conditionally increased by up to € 25,000,000.00, divided into 25,000,000 no-par value shares (Conditional Capital 2015). The conditional capital increase is earmarked for shares to be granted to bearers or holders of warrant or convertible bonds granted by the Company or a subordinated Group company in accordance with the authorization. The new shares shall be issued at the warrant or conversion price to be determined in the bond terms and in accordance with the above authorization. The conditional capital increase shall only be implemented to the extent that the warrant or conversion rights pertaining to the bonds are exercised or warrant or conversion obligations pertaining to the bonds are fulfilled, or the Company exercises its right to tender shares, and unless other fulfillment possibilities for servicing are used. The new shares used for the issue shall participate in profits from the beginning of the fiscal year in which they are created by exercising the warrant or conversion right; to the extent that it is legally permissible, the Management Board may, with the approval of the Supervisory Board, determine the profit participation of new shares and, notwithstanding Section 60 (2) AktG, also for a fiscal year already expired.

The Management Board is authorized to determine the further details of the implementation of the conditional capital increase.

Authorization of Annual Shareholders' Meeting to acquire treasury shares

Pursuant to Sec. 71 (1) No. 8 AktG, the Company is entitled to acquire treasury shares until September 18, 2020 up to a limit of ten percent of capital stock. The purchase price may be no lower than ten percent of the share's market price, nor higher than ten percent above its market price. The authorization may not be used for the purpose of trading with treasury shares.

As of the balance sheet date 4,702,990 treasury shares were held.

In addition to a sale via the stock exchange or in another manner that ensures the equal treatment of all shareholders, the Management Board is authorized, subject to the approval of the Supervisory Board, to use the United Internet shares purchased based on the authorization granted on May 18, 2017, or any prior authorizations, pursuant to Section 71 (1) No. 8 AktG, for the following purposes:

a) Sale for cash consideration that is not significantly below the Company's share price listed on the stock exchange at the time of sale (without ancillary purchase costs). This authorization, however, shall only apply on condition that this is a proportional amount of no more than 10%, or if this value is lower, of the existing capital stock accounted for by the total sold shares when this authorization is implemented. Those shares with a subscription right which was excluded, by the direct or corresponding application of Section 186 (3) Sentence 4 AktG, for this authorization's duration at the same time should be counted toward the above-stated maximum threshold.

b) Sale for payment in kind, particularly within the scope of the direct or indirect purchase of companies, parts of a company or equity shares therein, or other assets including receivables from the Company, or entitlements to purchase assets, or as part of corporate combinations as a (partial) consideration.

c) The granting of United Internet shares as part of remuneration and/or employee stock ownership programs by which United Internet offers or transfers shares to United Internet AG Management Board members and/or to individuals who are in an employment relationship with the Company or with one of its current or former affiliates and/or management board members of corporations affiliated with the Company. Insofar as United Internet shares are to be transferred to members of the Company's Management Board, the decision on this shall be incumbent upon the Company's Supervisory Board.

d) The fulfilment of conversion or option rights and/or conversion obligations stemming from convertible bonds or warrant bonds issued by the Company or by corporations which are controlled or majority held by the Company.

e) Whole or partial cancellation without any further resolution of the Annual Shareholders' Meeting. The Management Board is authorized, subject to the approval of the Supervisory Board, to reduce the Company's capital stock by the capital stock proportion attributable to the redeemed shares. Subject to the approval of the Supervisory Board, the Management Board may determine, in derogation herefrom, that the capital stock shall remain unchanged upon cancellation and that instead, by way of cancellation, the proportional ratio of remaining shares to the capital stock shall increase. The Supervisory Board is authorized to amend Section 5 of the Company's by-laws in accordance with the respective utilization of its authorization to cancel shares.

Total shareholders' equity developed as follows (€):

Development of total shareholders' equity

Capital stock		
- Capital stock - December 31, 2017		205,000,000.00
- Open deduction of treasury shares acc. to Sec. 272 (1)a HGB - December 31, 2017	-4,993,289.00	
- Issue of treasury shares	290,299.00	
- Purchase of treasury shares	0.00	
- Open deduction of treasury shares acc. to Sec. 272 (1)a HGB - December 31, 2018		-4,702,990.00
- Balance as of December 31, 2018		**200,297,010.00**
Capital reserves		
- Balance as of December 31, 2017		**457,976,677.74**
- Balance as of December 31, 2018		**457,976,677.74**
Other revenue reserves		
- Balance as of December 31, 2017		**364,317,980.53**
- Transfer to other revenue reserves (employee stock ownership plans)		15,483,918.53
- Purchase of treasury shares		0.00
- Balance as of December 31, 2018		**379,801,899.06**
Balance sheet profit		
- Balance as of December 31, 2017		**2,544,414,430.21**
- Dividend payment		-170,005,704.35
- Net profit for the year		204,853,555.11
- Balance as of December 31, 2018		**2,579,262,280.97**
Total shareholders' equity		**3,617,337,867.77**

Treasury shares are treated in the same way as a capital reduction. The nominal amount is deducted from subscribed capital on the face of the balance sheet and the difference is offset with other revenue reserves. The nominal value of shares held on the balance sheet date December 31, 2018, amounting to € 4,702,990.00, was therefore deducted from capital stock and disclosed in a sub-column on the face of the balance sheet.

The Annual Shareholders' Meeting of May 24, 2018 followed the proposal of the Management Board and Supervisory Board to carry forward part of the balance sheet profit 2017 amounting to € 2,374,408,725.86 and to distribute another part totaling € 170,005,704.35 as a dividend.

As of the reporting date, the balance sheet profit amounts to € 2,579,262,280.97. The balance sheet profit contains a carryforward from the previous year amounting to € 2,544,414,430.21. This amount was reduced under consideration of the dividend paid in fiscal year 2018 to € 2,374,408,725.86.

For the fiscal year 2018, the Management Board has proposed to the Supervisory Board the payment of a dividend of € 0.05 or € 0.90 (see Dividend Proposal) per share. The Management Board and Supervisory Board will discuss this dividend proposal at the Supervisory Board meeting on March 27, 2019. According to Sec. 21 of the by-laws of United Internet AG, the Annual Shareholders' Meeting decides on the appropriation of the balance sheet profit.

Pursuant to Sec. 71b AktG, the Company does not accrue any rights from treasury shares and thus has no pro-rated dividend rights.

Treasury shares

As of December 31, 2018 the Company held 4,702,990 treasury shares, representing 2.29% of the capital stock of 205,000,000 shares. The average purchase cost per share amounted to € 37.36.

ACCRUALS

Accrued taxes of € 58,632k refer to corporation tax, the solidarity surcharge and trade tax for previous years.

Other accrued liabilities contain appropriate accruals formed for all foreseeable liabilities whose amount and nature are uncertain as well as for pending losses, including for legal, auditing and consulting fees (€ 1,090k), the employee stock ownership plan (€ 507k), and for bonuses (€ 140k).

LIABILITIES

The classification and maturities of the liabilities are shown in the following table (in €k):

	Dec. 31, 2018	Dec. 31, 2018			Dec. 31, 2017		
	Total	Up to 1 year	Remaining term of 1 to 5 years	Over 5 years	Total	Remaining term of up to 1 year	Remaining term of over 1 year
Bank liabilities	1,943,805	208,305	1,535,500	200,000	1,952,789	247,289	1,705,500
Trade payables	1,034	1,034	0	0	337	337	0
Liabilities due to affiliated companies	574,961	574,961	0	0	233,744	233,744	0
Other liabilities thereof for taxes € 5,450k (prior year: € 10,763k)	5,450	5,450	0	0	10,763	10,763	0
	2,525,250	**789,750**	**1,535,500**	**200,000**	**2,197,633**	**492,133**	**1,705,500**

As of December 31, 2018, bank liabilities amounted to € 1,944 million. They mainly comprise various syndicated loans totaling € 1,100 million and two promissory note loans totaling € 836 million. On December 21,2018, United Internet signed an agreement with its core banks regarding a new syndicated loan facility with a term up to January 2024. The syndicated loan adjusted in May 2017 with an original term until July 2020 was prematurely terminated. In addition, United Internet AG increased a bilateral credit facility by € 125 million, from € 75 million to € 200 million. The facility has been granted until further notice and bears standard market interest rates. United Internet AG is the sole borrower of this facility. No drawings had been made from the credit facility as at the end of the reporting period.

No collateral was provided for any of the loans.

Liabilities to affiliated companies mainly consist of liabilities from balances of the United Internet Group's internal cash management system (€ 272,080k), from services received from these companies (€ 36,569k), and from profit transfer agreements (€ 263,570k).

Other liabilities mainly consist of sales tax liabilities of € 5,438k.

DEFERRED TAXES

Due to existing direct and indirect tax pooling, the measurement of deferred taxes is made across the entire tax pooling group of United Internet AG.

In the reporting period, there was a negative balance of deferred taxes of € 10,448k as of December 31, 2018 (prior year: € 5,074k). Deferred tax assets amount to € 4,548k (prior year: € 8,384k) and result as of the reporting date from deductible temporary differences relating to intangible assets, as well as accruals. Deferred tax liabilities in the reporting period result from temporary differences relating to valuation differences between the trade and tax balance sheets, especially from investments, and amount to € 14,995k (prior year: € 13,458k). The calculation is based on a tax rate of 31.09% (prior year: 31.17%).

NOTES TO THE INCOME STATEMENT

OTHER OPERATING INCOME

Other operating income mainly results from extraordinary income in connection with the disposal of financial assets totaling € 143,752k. This refers above all to income from the exercise of a put option for the preferred share of 1&1 Internet Holding SE (€ 143,746k). In addition, there was other operating income from internal Group charges of € 2,275k and from income not relating to the period from the reversal of accruals of € 1,591k (prior year: € 591k).

PERSONNEL EXPENSES

Adjusted for the effects from employee stock ownership plans, personnel expenses amounted to € 616k in the reporting period (prior year: € 1,404k).

OTHER OPERATING EXPENSES

Other operating expenses mainly comprise the invoicing of services rendered by the Group company United Internet Corporate Services GmbH to United Internet AG for internal services rendered as well as for official Group matters. This also includes invoicing for the years 2016 and 2017 (€ 18.7 million; prior year: € 0). In addition, other operating expenses include expenses for legal, consulting and audit fees (€ 3,757k; prior year: € 10,816k).

INCOME FROM PROFIT TRANSFER AGREEMENTS

Income from profit transfer agreements refers to the profit transfers of 1&1 Mail & Media Applications SE amounting to € 93,575k, and of United Internet Corporate Services GmbH totaling € 24,148k.

INCOME FROM INVESTMENTS

Income from investments amounted to € 209,631k (prior year: € 0k) and includes dividends of 1&1 Drillisch AG (€ 189,673k) and of 1&1 Internet TopCo SE (€ 19,958k).

EXPENSES FOR LOSS ASSUMPTIONS

Expenses for loss assumptions mainly comprise the compensation expense for United Internet Investments Holding AG & Co. KG (€ 222,203k) and United Internet Service Holding GmbH (€ 41,283k).

INCOME TAXES

Income taxes of € 68,440k comprise current taxes for 2018 of € 55,800k (of which € 27,608k for corporation tax and the solidarity surcharge and € 28,192k for trade tax) and € 7,266k from previous years. There was an opposing effect from the reversal of deferred tax liabilities amounting to € 5,374k.

OTHER DISCLOSURES

Average number of employees

An average of 2 (prior year: 2) permanent salaried staff were employed in the past fiscal year (without Management Board members, apprentices, part-time staff and employees on maternity leave).

Executive bodies of United Internet AG

As of December 31, 2018, the Management Board consisted of the following members:

Ralph Dommermuth (CEO), Montabaur

Frank Krause (CFO), Kronberg/Taunus

Jan Oetjen departed on June 30, 2018 to join the Management Board of Consumer Applications, Karlsruhe

The members of the Management Board also belong to the supervisory boards of the following companies:

Ralph Dommermuth

- Versatel Telecommunications GmbH, Düsseldorf, chair of the advisory committee
- 1&1 IONOS SE (formerly: 1&1 Internet SE), Montabaur, member of the supervisory board (until September 14, 2018)
- STRATO AG, Berlin, member of the supervisory board (until October 5, 2018)
- 1&1 Internet Holding SE, Montabaur, deputy chair of the supervisory board (as of September 5, 2018)

Frank Krause

- Versatel Telecommunications GmbH, Düsseldorf, member of the advisory committee
- 1&1 Internet TopCo SE, Montabaur, member of the supervisory board (until September 5, 2018)
- 1&1 Internet Holding SE, Montabaur, member of the supervisory board
- 1&1 IONOS SE (formerly: 1&1 Internet SE), Montabaur, member of the supervisory board (until September 14, 2018)
- STRATO AG, Berlin, member of the supervisory board (until October 15, 2018)
- Tele Columbus AG, Berlin, member of the supervisory board (until October 4, 2018)

The Supervisory Board is responsible for determining the remuneration of the Management Board. The members of the Management Board are compensated according to performance. This compensation consists of a fixed and a variable element (bonus). A target remuneration figure is agreed for the fixed component and the bonus, which is regularly reviewed. The last review was made in fiscal year 2017. The fixed remuneration component is paid monthly as a salary. The size of the bonus depends on reaching certain, fixed financial targets agreed at the beginning of the fiscal year. These targets are based mainly on the sales and earnings figures. The target attainment corridor is generally between 90% to 120%. No bonus is paid below 90% of the agreed target and the bonus calculation ends at 120% of the agreed target. No subsequent amendment of the performance targets is allowed. There is no minimum guaranteed bonus. Payment is made after the annual financial statements have been adopted by the Supervisory Board.

As agreed with the Company's Supervisory Board, Mr. Ralph Dommermuth has resolved to waive his claim to Management Board remuneration as of fiscal year 2016 and for the following years.

In fiscal year 2018, total remuneration for the Management Board without share-based payments amounted in total to € 511k (prior year: € 1,323k). Of this total, € 360k or 71% was fixed, € 140k or 27% was variable, and € 11k or 2% were other special payments and fringe benefits.

There are no retirement benefits from the Company to members of the Management Board.

Stock Appreciation Right (SARs) refer to the Company's commitment to pay the beneficiary a cash amount equivalent to the difference between the share price on the date of granting the option (strike price) and the share price on exercising the option. The exercise hurdle is 120% of the share price of the average closing price in electronic trading (Xetra) of the Frankfurt Stock Exchange over the ten days preceding issuance of the option. Payment of value growth to the entitled person is limited to 100% of the strike price.

An SAR corresponds to a virtual subscription right for one share of United Internet AG. However, it is not a share right and thus not a (genuine) option to acquire shares of United Internet AG. The Company retains the right, however, to fulfill its commitment to pay the SAR in cash by also transferring United Internet shares from its inventory of treasury shares to the beneficiary, at its own discretion.

Up to 25% of the option right may be converted at the earliest 24 months after the date of issue of the option; up to 50% at the earliest 36 months after the date of issue of the option. A total of up to 75% may be exercised at the earliest 48 months after the date of issue of the option; the full amount may be exercised at the earliest 60 months after the date of issue of the option.

The following table provides details on the compensation received by members of the Management Board (€k):

2018	Fixed €k	Variable €k	Special and fringe benefits €k	Total fixed, variable, special and fringe benefits €k	Market value of share-based payments granted in 2018 €k *
Ralph Dommermuth	0	0	0	0	-
Frank Krause	360	140	11	511	0
	360	140	11	511	0

2017	Fixed €k	Variable €k	Special and fringe benefits €k	Total fixed, variable, special and fringe benefits €k	Market value of share-based payments granted in 2017 €k *
Ralph Dommermuth	0	0	0	0	-
Robert Hoffmann	300	200	12	512	-
Frank Krause	360	140	311	811	0
	660	340	323	1,323	0

* Share-based payments (so-called Stock Appreciation Rights) are compensation components with a long-term incentive and paid out over a total period of 6 years.

In fiscal year 2018, Mr. Frank Krause received fringe benefits of € 11k.
Mr. Jan Oetjen received salaries from a subsidiary of United Internet AG.

As in the previous year, no advances or loans were granted to members of the Management Board. No remuneration was paid to former members of the Management Board.

In fiscal year 2018, the Supervisory Board of United Internet AG consisted of the following members:

- Kurt Dobitsch, chair
- resident in Markt Schwaben
- Business owner, Chairman of the Supervisory Board of United Internet AG

- Kai-Uwe Ricke
- resident in Stallikon, Switzerland
- Member of the Board of Directors of Delta Partners, Dubai, Emirate of Dubai

- Michael Scheeren, deputy chair
- resident in Frankfurt am Main
- Banker, Member of the Supervisory Board of United Internet AG

In fiscal year 2018, the members of the Supervisory Board also held seats on supervisory boards or similar committees of the following companies:

Kurt Dobitsch

- 1&1 Telecommunication SE, Montabaur (deputy chair)
- 1&1 Mail & Media Applications SE, Montabaur (deputy chair)
- 1&1 Drillisch Aktiengesellschaft, Maintal
- Nemetschek SE, Munich (formerly: Nemetschek AG) (chair)
- Graphisoft S.E., Budapest / Hungary
- Vectorworks Inc., Columbia / USA
- Bechtle AG, Gaildorf
- Singhammer IT Consulting AG, Munich
- Drillisch Online GmbH, Maintal (formerly: Drillisch Online AG) (as of January 17, 2018) (as of January 23, 2018, deputy chair)

Kai-Uwe Ricke

- 1&1 IONOS SE, Montabaur (formerly 1&1 Internet SE) (until September 14, 2018)
- 1&1 Internet Holding SE, Montabaur (as of September 5, 2018)
- 1&1 Telecommunication SE, Montabaur
- 1&1 Mail & Media Applications SE, Montabaur (chair)
- STRATO AG, Berlin (until October 5, 2018)
- 1&1 Drillisch AG, Maintal (deputy chair)
- EUN Holdings LLP, Delaware / USA (liquidated) (until January 11, 2018)
- EuNetworks Group Limited, London (as of September 26, 2018)
- Delta Partners Group Limited, Dubai
- Delta Partners Capital Limited, Dubai
- Delta Partners Growth Fund II GP Limited, Dubai
- Delta Partners Growth Fund II (Carry) General Partner Limited, Dubai
- SUSI Partners AG, Zurich / Switzerland
- Virgin Mobile CEE B.V., Amsterdam / Netherlands
- Virgin Mobile Polska sp.z.o.o, Warsaw / Poland (chair of the board of directors)
- Cash Credit Limited, Cayman Islands
- Drillisch Online GmbH, Maintal (formerly: Drillisch Online AG) (chair)

Michael Scheeren

- 1&1 IONOS SE, Montabaur (formerly 1&1 Internet SE) (until September 14, 2018)
- 1&1 Internet Holding SE (as of September 5, 2018)
- 1&1 Telecommunication SE, Montabaur (chair)
- 1&1 Mail & Media Applications SE, Montabaur
- 1&1 Drillisch Aktiengesellschaft, Maintal (formerly: Drillisch AG) (chair)
- STRATO AG, Berlin (until October 5, 2018)
- Drillisch Online GmbH, Maintal (formerly Drillisch Online AG) (as of January 17, 2018) (deputy chair)

On May 21, 2015, the Annual Shareholders' Meeting adopted a new remuneration system which complies fully with the German Corporate Governance Code. It consists of a fixed remuneration component and an attendance fee per meeting. The fixed remuneration for an ordinary member of the Supervisory Board amounts to € 15k per full fiscal year. The Chairman of the Supervisory Board receives the double amount. The attendance fee amounts to € 1k for each meeting.

The members of the Supervisory Board of United Internet AG are also members of the supervisory board of various subsidiaries. As of fiscal year 2015, they receive remuneration from these subsidiaries. The remuneration of the subsidiaries also consists of a fixed annual remuneration and an attendance fee for each meeting. The fixed annual remuneration varies between the subsidiaries, while the standard attendance fee amounts to € 1k for each meeting.

The following table provides details on the compensation received by members of the Supervisory Board of United Internet AG (€k):

2018	Fixed €k	Attendance fee €k	Total €k
Kurt Dobitsch	30	4	34
Kai-Uwe Ricke	15	4	19
Michael Scheeren	15	4	19
	60	12	72

2017	Fixed €k	Attendance fee €k	Total €k
Kurt Dobitsch	30	4	34
Kai-Uwe Ricke	15	4	19
Michael Scheeren	15	4	19
	60	12	72

There are no subscription rights or share-based payments for members of the Supervisory Board.

Contingent liabilities

The Company has guaranty facility in its name. As of the reporting date, guaranties totaling € 29,906k were outstanding from this facility.

In addition, the Company is jointly and severally liable for a guaranty facility granted by banks, which both the Company and various subsidiaries may use. As of the reporting date, guaranties totaling € 9,124k were outstanding from this facility.

As of the reporting date, no outstanding guaranty from one of the two guaranty facilities had been used. Due to the stable business position of the borrowing subsidiaries and United Internet AG, the risk involved in the contingent liabilities is currently regarded as very low.

United Internet AG has issued a letter of comfort for 1&1 Internet TopCo SE. In this connection, United Internet AG has committed to accept responsibility for obligations received until December 31, 2018 in the following fiscal year and to ensure that 1&1 Internet TopCo SE is managed and funded in such a way that it can meet the aforementioned obligations punctually and in full.

Dividend proposal

The Management Board points out that the outcome of the current auction on the allocation of mobile frequencies in the 2 GHz and 3.6 GHz range ("5G spectrum auction"), and the necessary additional investments in the event of a successful acquisition of spectrum at the auction, will have an impact on the use of the balance sheet profit:

1. In the event that Drillisch Netz AG, an indirect subsidiary of the Company, acquires spectrum during the 5G spectrum auction by May 20, 2019, the dividend proposal for the fiscal year 2018 will be as follows:

   The Management Board proposes to use the disclosed balance sheet profit of United Internet AG for the fiscal year 2018 amounting to € 2,579,262,280.97 as follows:

   - Payment of a dividend of € 0.05 per share for the past fiscal year 2018 for each no-par share with dividend entitlement (total of 200,297,010 dividend-entitled no-par shares). The proposed amount is based on the minimum dividend as prescribed by Section 254 (1) AktG € 10,014,850.50
   - Amount carried forward € 2,569,247,430.47

2. In the event that Drillisch Netz AG does not acquire spectrum during the 5G spectrum auction by May 20, 2019, the dividend proposal for the fiscal year 2018 will be as follows:

   The Management Board proposes to use the disclosed balance sheet profit of United Internet AG for the fiscal year 2018 amounting to € 2,579,262,280.97 as follows:

   - Payment of a dividend of € 0.90 per share for the past fiscal year 2018 for each no-par share with dividend entitlement (total of 200,297,010 dividend-entitled no-par shares) € 180,267,309.00

   - Amount carried forward € 2,398,994,971.97

Each of the two alternative dividend proposals takes into account the 4,702,990 treasury shares held by the Company when the Management Board prepared these annual financial statements, which are not entitled to dividends pursuant to Section 71b AktG. The number of dividend-entitled shares may change before the Annual Shareholders' Meeting. In this case, a correspondingly adjusted dividend proposal will be submitted to the Annual Shareholders' Meeting with the same dividend per entitled share.

Pursuant to Section 58 (4) Sentence 2 AktG, the dividend payment is due on the third business day following the resolution of the Annual Shareholders' Meeting, i.e. Tuesday, May 28, 2019.

Transactions with related parties

In the period under review, no transactions were made with related parties at non-standard market conditions.

Disclosures on shareholdings

United Internet AG is a partner with unlimited liability (general partner) of United Internet Investments Holding AG & Co. KG.

Publication of voting right announcements acc. to Sec. 26 WpHG

Please refer to Appendix 3 of the Notes for details on voting rights disclosures.

Financial instruments

In connection with an investment agreement, there are two derivatives not recognized at fair value (conditional purchase price receivables of United Internet AG). The fair values of the derivatives depend, among other things, on the performance of an investment and the development of the GBP/EUR exchange rate. The term is indefinite and ends upon termination of the investment agreement. The claims of United Internet AG are limited to € 41 million and € 33 million, respectively. No payment obligations of United Internet AG can result from the agreement. The carrying amount of both derivatives is € 0 in both cases; the fair values amount to € 7.4 million and € 8.4 million, respectively. These valuations are based on a Black-Scholes model and a Monte Carlo simulation using observable and unobservable input factors. The input factors include in particular the expected maturity, the volatility, and the development of the GBP/EUR exchange rate.

Auditing and consulting fees

In fiscal year 2018, auditing fees totaling € 6,827k (prior year: € 7,122k) were calculated in the consolidated financial statements. These include auditing fees of € 4,585k (prior year: € 4,479k), other certification services of € 56k (prior year: € 46k), tax consultancy services of € 1,865k (prior year: € 1,857k), and other services of € 321k (prior year: € 740k). Auditing fees comprise both statutory audits as well as voluntary audits and audit reviews. Other services mainly refer to transaction-related due diligence services.

Corporate Governance Code

The declaration of conformity with the German Corporate Governance Code acc. to Sec. 161 AktG was filed by the Management Board and Supervisory Board and is available to shareholders via the internet portal of United Internet AG (www.united-internet.de).

SUBSEQUENT EVENTS

There were no significant events subsequent to the end of the reporting period with any material financial effect.

Montabaur, March 22, 2019

The Management Board

Ralph Dommermuth　　　　Frank Krause

Annex 1

Development of Non-Current Assets of United Internet AG in Fiscal Year 2018

	Acquisition and production costs				Accumulated depreciation				Net book value	
	Jan. 1, 2018 EUR	Additions EUR	Disposals EUR	Dec. 31, 2018 EUR	Jan. 1, 2018 EUR	Additions EUR	Disposals EUR	Dec. 31, 2018 EUR	Dec. 31, 2018 EUR	Dec. 31, 2017 EUR
I. Intangible assets										
Concessions, industrial and similar rights and assets as well as licenses in such rights and assets acquired for consideration	45,240.00	0.00	0.00	45,240.00	21,396.00	15,169.00	0.00	36,565.00	8,675.00	23,844.00
II. Property, plant and equipment										
Other equipment, operational and office equipment	187,386.66	1,062.00	74,428.49	114,020.17	115,481.66	23,185.00	46,493.49	92,173.17	21,847.00	71,905.00
III. Financial assets										
1. Shares in affiliated companies	3,101,018,302.35	579,888,610.30	12,076,708.90	3,668,830,203.75	0.00	0.00	0.00	0.00	3,668,830,203.75	3,101,018,302.35
2. Loans to affiliated companies	1,851,550,000.00	904,895,371.76	443,990,105.00	2,312,455,266.76	0.00	0.00	0.00	0.00	2,312,455,266.76	1,851,550,000.00
	4,952,568,302.35	1,484,783,982.06	456,066,813.90	5,981,285,470.51	0.00	0.00	0.00	0.00	5,981,285,470.51	4,952,568,302.35
	4,952,800,929.01	1,484,785,044.06	456,141,242.39	5,981,444,730.68	136,877.66	38,354.00	46,493.49	128,738.17	5,981,315,992.51	4,952,664,051.35

Annex 2

United Internet AG, Montabaur

Statement of investments as of December 31, 2018

	Capital share	Company equity as of Dec. 31, 2018	Net income / loss FY 2018
	in %	€k	€k
Shares held directly			
1&1 Mail & Media Applications SE, Montabaur (1)	100.00	968,686	0
CA BG AlphaRho AG, Vienna / Austria	100.00	36	-24
MIP Multimedia Internet Park GmbH, Zweibrücken	100.00	60	45
United Internet Corporate Services GmbH, Montabaur (1)	100.00	25	0
United Internet Investments Holding AG & Co. KG, Montabaur (formerly UIIH GmbH) (1) (22)	100.00	128,439	0
United Internet Service SE, Montabaur (1)	100.00	120	0
United Internet Service Holding GmbH, Montabaur (1)	100.00	1,176,114	0
United Internet Management Holding SE, Montabaur (1)	100.00	120	0
United Internet Corporate Holding SE, Montabaur (1)	100.00	120	0
1&1 Drillisch AG (formerly Drillisch AG), Maintal	73.29	6,592,430	341,767
1&1 Internet TopCo SE, Montabaur	66.67	523,148	-364
Shares held indirectly			
1&1 Berlin Telecom Service GmbH, Berlin (3) (4)	100.00	25	0
1&1 Cardgate LLC, Chesterbrook / USA (5)	100.00	321	311
1&1 Datacenter SAS, Strasbourg / France (5)	100.00	1,734	67
1&1 De-Mail GmbH, Montabaur (1)	100.00	25	0
1&1 Energy GmbH, Montabaur	100.00	-2,308	-4,368
1&1 Internet (Philippines) Inc., Cebu City / Philippines (5) (20)	100.00	885	144
1&1 Internet Development SRL, Bucharest / Romania (5) (19)	100.00	1,277	1,282
1&1 Internet Espana S.L.U., Madrid / Spain (5)	100.00	1,063	1,060
1&1 Internet Holding SE, Montabaur (5)	100.00	269,375	243,761
1&1 Internet Ltd., Gloucester / UK (5)	100.00	1,717	2,043
1&1 Internet S.A.R.L., Saargemünd / France (5)	100.00	1,297	1,186
1&1 Internet Service GmbH, Montabaur (5) (10)	100.00	240	0
1&1 Internet Sp.z o.o, Warsaw / Poland (5) (15)	100.00	231	4
1&1 IONOS Cloud GmbH (formerly Profit Bricks GmbH), Berlin (5)	100.00	6,635	0
1&1 IONOS Cloud Inc. (formerly Profit Bricks Inc.), San Antonio / USA (5)	100.00	15	-550
1&1 IONOS Inc. (formerly 1&1 Internet Inc.), Chesterbrook / USA (5)	100.00	20,055	3,066
1&1 IONOS SE (formerly 1&1 Internet SE), Montabaur (5) (10)	100.00	390,319	0
1&1 Logistik GmbH, Montabaur (3) (4)	100.00	25	0
1&1 Mail & Media Development & Technology GmbH, Montabaur (1)	100.00	1,748	0
1&1 Mail & Media GmbH, Montabaur (1)	100.00	212,665	0
1&1 Mail & Media Inc., Chesterbrook / USA	100.00	16,735	-3,554
1&1 Mail & Media Service GmbH, Montabaur (1)	100.00	25	0
1&1 Telecom GmbH, Montabaur (3) (4)	100.00	1,143	0
1&1 Telecom Holding GmbH, Montabaur (3) (4)	100.00	1,752,964	0
1&1 Telecom Sales GmbH, Montabaur (3) (4)	100.00	25	0
1&1 Telecom Service Montabaur GmbH, Montabaur (3) (4)	100.00	52	0
1&1 Telecom Service Zweibrücken GmbH, Zweibrücken (3) (4)	100.00	25	0
1&1 Telecommunication SE, Montabaur (3) (4)	100.00	638,357	0
1&1 UK Holdings Ltd., Gloucester / UK (5)	100.00	71,022	-49
1&1 Versatel Deutschland GmbH, Düsseldorf (7)	100.00	306,431	0
1&1 Versatel GmbH, Berlin (8)	100.00	140,054	0
A1 Marketing, Kommunikation und neue Medien GmbH, Montabaur (1)	100.00	1,152	0
A1 Media USA LLC, Chesterbrook / USA (5)	100.00	190	56
Arsys Internet E.U.R.L., Perpignan / France (5)	100.00	142	5
Arsys Internet S.L., Logroño / Spain (5)	100.00	89,117	5,549
AZ.pl Sp. z o.o., Stettin / Poland (5)	100.00	24	814
Blitz 17-665 SE, Munich (3) (4)	100.00	120	0
Blitz 17-666 SE, Munich (3) (4)	100.00	120	0
CA BG AlphaPi AG, Vienna / Austria	100.00	45	-15
Cronon AG, Berlin (5) (10)	100.00	157	0
Domain Robot Enterprises Inc., Vancouver / Canada (5) (14) (24)	100.00	0	0
DomCollect International GmbH, Montabaur (5) (11)	100.00	25	0
DomCollect Worldwide Intellectual Property AG, Zug / Switzerland (5) (15) (18)	100.00	252	5
DP ASIA Sp. z o.o., Stettin / Poland (5) (14)	100.00	1	0
DP EUROPE Sp. z o.o., Stettin / Poland (5) (14)	100.00	1	0
DP POLAND Sp. z o.o., Stettin / Poland (5) (14)	100.00	1	0
Drillisch Logistik GmbH, Münster (4)	100.00	22,350	5,515
Drillisch Netz AG (formerly Maintal), Krefeld (4)	100.00	944	302
Drillisch Online GmbH (formerly Drillisch Online AG, Düsseldorf), Maintal (3) (4)	100.00	145,699	0
Fasthosts Internet Inc., Chesterbrook / USA (5) (15)	100.00	-336	0
Fasthosts Internet Ltd., Gloucester / UK (5)	100.00	7,405	1,847
General Media Xervices GMX S.L., Madrid / Spain (15)	100.00	0	0
GMX Italia S.r.l., Milan / Italy (15)	100.00	0	0
HBS Cloud Sp. z o.o., Stettin / Poland (5)	100.00	42	0
home.pl S.A., Stettin / Poland (5)	100.00	34,881	10,817
Immobilienverwaltung AB GmbH, Montabaur (5)	100.00	468	68
Immobilienverwaltung NMH GmbH, Montabaur (5)	100.00	1,009	632
InterNetX Corp., Miami / USA (5)	100.00	-59	-57
InterNetX GmbH, Regensburg (5) (11)	100.00	4,469	0

Annex 2

United Internet AG, Montabaur

Statement of investments as of December 31, 2018

	Capital share	Company equity as of Dec. 31, 2018	Net income / loss FY 2018
	in %	€k	€k
IQ-optimize Software AG, Maintal (3) (4)	100.00	87	0
Mobile Ventures GmbH, Maintal (4)	100.00	1,024	40
Nicline Internet S.L., Logroño / Spain (5)	100.00	541	38
PSI USA, Inc., Las Vegas / USA (5)	100.00	497	-3,701
Schlund Technologies GmbH, Regensburg (5) (13)	100.00	25	0
Sedo GmbH, Cologne (5) (11)	100.00	13,428	0
Sedo.com LLC, Cambridge / USA (5)	100.00	2,409	1,302
STRATO AG, Berlin (5) (10)	100.00	9,716	0
Tesys Internet S.L., Logroño / Spain (5)	100.00	1,200	10
TROPOLYS Netz GmbH, Düsseldorf	100.00	-32,654	-14
TROPOLYS Service GmbH, Düsseldorf	100.00	-20,267	-11
United Domains Inc., Cambridge / USA (5)	100.00	420	21
United Internet Media Austria GmbH, Vienna / Austria	100.00	263	56
United Internet Media GmbH, Montabaur (1)	100.00	50	0
United Internet Sourcing & Aprenticeship GmbH, Montabaur (1)	100.00	25	1
united-domains AG, Starnberg (5)	100.00	11,970	11,538
united-domains Reselling GmbH, Starnberg (5) (12)	100.00	25	0
Versatel Immobilien Verwaltungs GmbH, Düsseldorf	100.00	-4,017	-3
Versatel Telecommunications GmbH, Düsseldorf (6)	100.00	265,886	0
World4You Internet Services GmbH, Linz / Austria (5)	100.00	3,140	1,892
InterNetX Holding GmbH (formerly Sedo Holding GmbH, Montabaur), Regensburg (5) (21)	95.56	15,632	9,069
premium.pl Sp. z o.o., Stettin / Poland (5) (23)	75.00	244	121
DomainsBot S.r.l, Rome / Italy (5)	49.00	447	125
Intellectual Property Management Company Inc., Dover (Delaware) / USA (5)	49.00	242	74
rankingCoach International GmbH, Cologne (16)	30.70	-4,475	-1,796
uberall GmbH, Berlin (17)	28.52	0	-2,768
Tele Columbus AG, Berlin (17)	28.52	543,364	-17,354
Open-Xchange AG, Nuremberg (17)	25.39	48,424	27
Virtual Minds AG, Freiburg (17)	25.10	12,876	2,715
ePages GmbH, Hamburg (17)	25.01	3,211	869
AWIN AG, Berlin (17)	20.00	184,936	7,130
Afilias Inc. (formerly Afilias plc, Dublin / Irland), Horsham, Pensylvania / USA	< 20.00	-	-
MMC Investments Holding Company Ltd., Port Louis / Mauritius	< 20.00	-	-
PipesBox GmbH, Rostock	< 20.00	-	-
Rocket Internet SE, Berlin	< 20.00	-	-

(1) profit transfer to United Internet AG (direct/indirect)
(2) loss assumption by United Internet AG
(3) profit transfer to 1&1 Drillisch AG (direct/indirect)
(4) held directly/indirectly via 1&1 Drillisch AG
(5) held directly/indirectly via 1&1 Internet TopCo SE
(6) loss assumption by United Internet Service Holding GmbH
(7) profit transfer to 1&1 Versatel GmbH (direct/indirect)
(8) loss assumption by Versatel Telecommunications GmbH
(9) loss assumption by 1&1 Internet TopCo SE
(10) profit transfer to 1&1 Internet Holding SE (direct/indirect)
(11) profit transfer to InterNetX Holding GmbH (direct/indirect)
(12) profit transfer to united-domains AG
(13) profit transfer to InterNetX GmbH
(14) no operating business
(15) in liquidation
(16) based on published figures as of December 31, 2016
(17) based on published figures as of June 30 / December 31, 2017
(18) 0.002% via trustee
(19) Markus Huhn (1.00%)
(20) Hùseyin Dogan (0.008%), Matthias Steinberg (0.008%), Joran Sison (0.008%), Gary Sancio (0.008%), Ernesto Cadino (0.008%)
(21) Hakan Ali (2,96%), Thomas Mörz (1,48%)
(22) thereof 99.998% personally liable partner (general partner) UI AG and thereof 0.002% limited partner UICS GmbH
(23) Przemyslaw Pawel Bojczuk (25.00%)
(24) inclides consolidated DomainsBot Inc., Dover / USA

Publication of voting right announcements acc. to Sec. 26 WpHG

Publication on December 22, 2009

In accordance with Sec. 21 (1) WpHG, Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft, Montabaur, Germany, has informed us that its proportion of voting rights in United Internet AG, Montabaur, exceeded the threshold of 30% due to a reduction in the total number of voting rights as of December 21, 2009, and amounted to 31.00% on this day (74,400,000 voting rights). Of this amount, 1.67% of voting rights (4,000,000 voting rights) are attributable to Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft according to Sec. 22 (1) Sentence 1 No. 1 WpHG.

In accordance with Sec. 21 (1) WpHG, Ralph Dommermuth Verwaltungs GmbH, Montabaur, Germany, has informed us that its proportion of voting rights in United Internet AG, Montabaur, exceeded the threshold of 30% due to a reduction in the total number of voting rights as of December 21, 2009, and amounted to 31.00% on this day (74,400,000 voting rights). Of this amount, 31.00% of voting rights (74,000,000 voting rights) are attributable to Ralph Dommermuth Verwaltungs GmbH according to Sec. 22 (1) Sentence 1 No. 1 WpHG. Voting rights attributed to Ralph Dommermuth Verwaltungs GmbH are held by the following companies it controls, whose voting rights in United Internet AG amounted to 3% or more: Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft.

Publication on March 26, 2013

On March 22, 2013, RD Holding-Verwaltungs GmbH, Montabaur, Germany, informed us according to Sec. 21 (1) WpHG of the following:

In accordance with Sec. 21 (1) WpHG, we hereby inform you that the voting rights of RD Holding-Verwaltungs GmbH, Montabaur, Germany, in United Internet AG, Elgendorfer Str. 57, 56410 Montabaur, Germany, exceeded the 5%, 10%, 15%, 20%, 25% and 30% thresholds on March 21, 2013 and on this day amount to 45.36% (88,000,000 voting rights). According to Sec. 22 (1) Sentence 1 No. 1 WpHG, 4.12% (8,000,000 voting rights) are attributable to RD Holding-Verwaltungs GmbH and according to Sec. 22 (2) WpHG 41.24% (80,000,000 voting rights) are attributable. The name of the company it controls, of which 3% or more are attributed, is as follows:

- RD Holding GmbH & Co. KG.

The name of the shareholder whose shares are attributed 3% or more is as follows:

- Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft.

On March 22, 2013, RD Holding GmbH & Co. KG, Montabaur, Germany, informed us according to Sec. 21 (1) WpHG of the following:

In accordance with Sec. 21 (1) WpHG, we hereby inform you that the voting rights of RD Holding GmbH & Co. KG, Montabaur, Germany, in United Internet AG, Elgendorfer Str. 57, 56410 Montabaur, Germany, exceeded the 5%, 10%, 15%, 20%, 25% and 30% thresholds on March 21, 2013 and on this day amount to 45.36% (88,000,000 voting rights). According to Sec. 22 (2), 41.24% (80,000,000 voting rights) are attributable to RD Holding GmbH & Co. KG. Voting rights are attributable to the following shareholder whose voting rights in United Internet AG exceed 3%:

- Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft.

On March 22, 2013, RD Holding-Verwaltungs GmbH, Montabaur, Germany, informed us according to Sec. 27a (1) WpHG of the following in connection with the exceeding or reaching of the 10% threshold or a higher threshold on March 21, 2013:

Objectives of purchasing the voting rights (Sec. 27a (1) Sentence 1 and Sentence 3 WpHG)

The acquisition was made by attribution in the course of an internal restructuring and serves neither the implementation of strategic objectives nor the generation of trading profits.

RD Holding-Verwaltungs GmbH does not intend to acquire further voting rights in United Internet AG via purchase or other means within the next twelve months.

RD Holding-Verwaltungs GmbH is not seeking to influence the composition of administrative, management or supervisory bodies of United Internet AG.

RD Holding-Verwaltungs GmbH is not seeking to significantly alter the company's capital structure, especially with regard to the ratio between equity and debt or its dividend policy.

Source of funds used for voting rights (Sec. 27a (1) Sentence 1 and Sentence 4 WpHG)

The acquisition of voting rights was made by attribution acc. to Sec. 22 (1) Sentence 1 No. 1 WpHG as well as Sec. 22 (2) WpHG. With regard to the purchase of voting rights in United Internet AG, no equity or debt was therefore used.

On March 22, 2013, RD Holding GmbH & Co. KG, Montabaur, Germany informed us according to Sec. 27a (1) WpHG of the following in connection with the exceeding or reaching of the 10% threshold or a higher threshold on March 21, 2013:

1. Objectives of purchasing the voting rights (Sec. 27a Abs. 1 Sentence 1 and Sentence 3 WpHG)

a- The acquisition was made by attribution in the course of an internal restructuring and serves neither the implementation of strategic objectives nor the generation of trading profits.

b- RD Holding GmbH & Co. KG does not intend to acquire further voting rights in United Internet AG via purchase or other means within the next twelve months.

c- RD Holding GmbH & Co. KG is not seeking to influence the composition of administrative, management or supervisory bodies of United Internet AG.

d- RD Holding GmbH & Co. KG is not seeking to significantly alter the company's capital structure, especially with regard to the ratio between equity and debt or its dividend policy.

2. Source of funds used for voting rights (Sec. 27a (1) Sentence 1 and Sentence 4 WpHG)

The acquisition of voting rights was made by attribution acc. to Sec. 22 (1) Sentence 1 No. 1 WpHG as well as Sec. 22 (2) WpHG. With regard to the purchase of voting rights in United Internet AG, no equity or debt was therefore used.

Publication on November 11, 2013

On November 4, 2013, Mr. Ralph Dommermuth, Germany, informed us according to Sec. 21 (1) of the WpHG that via shares his voting rights in United Internet AG, Montabaur, Germany, exceeded the 50% threshold of voting rights on October 18, 2011 and on that day amounted to 50.25% (corresponding to 108,029,511 voting rights of a total of 215,000,000 voting rights). Of this total, 42.06% of voting rights (corresponding to 90,429,511 voting rights) were attributable to him acc. to Sec. 22 (1), Sentence 1, No. 1 WpHG.

- Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft
- Ralph Dommermuth Verwaltungs GmbH
- United Internet AG

On November 4, 2013, Mr. Ralph Dommermuth, Germany, informed us according to Sec. 21 (1) of the WpHG that via shares his voting rights in United Internet AG, Montabaur, Germany, fell below the 50% threshold of voting rights on January 8, 2013 and on that day amounted to 46.83% (corresponding to 93,662,202 voting rights of a total of 200,000,000). Of this total, 46.83% of voting rights (corresponding to 93,662,202 voting rights) were attributable to him acc. to Sec. 22 (1), Sentence 1, No. 1 WpHG. The attributed voting rights are held by the following companies which he controls, whose share of voting rights in United Internet AG is equal to or more than 3%:

- Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft
- Ralph Dommermuth Verwaltungs GmbH
- RD Holding GmbH & Co. KG - RD Holding-Verwaltungs GmbH

Publication of voting right announcements acc. to Sec. 26a WpHG

Publication of total voting rights as of September 30, 2014:
United Internet AG hereby notifies that the total number of voting rights at the end of September 2014 amounted to 205,000,000.

Publication on October 23, 2017

Notification of voting rights pursuant to Sec. 26, Section 1 of the WpHG

1. Details of issuer

United Internet AG Elgendorfer Straße 57 56410 Montabaur Germany

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change of breakdown of voting rights
	Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
BlackRock, Inc.	Wilmington, DE United States of America (USA)

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached:

18 Oct 2017

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % (7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	3.10 %	0.16 %	3.26 %	205000000
Previous notification	2.95 %	0.30 %	3.25 %	/

7. Notified details of the resulting situation
a. Voting rights attached to shares (Sec.s 21, 22 WpHG)

ISIN	absolute		in %	
	direct (Sec. 21 WpHG)	indirect (Sec. 22 WpHG)	direct (Sec. 21 WpHG)	indirect (Sec. 22 WpHG)
DE0005089031	0	6353099	0.00 %	3.10 %
Total	6353099		3.10 %	

b.1. Instruments according to Sec. 25 para. 1 No. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
Lent Securities	n/a	n/a	319509	0.16 %
		Total	319509	0.16 %

b.2. Instruments according to Sec. 25 para. 1 No. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
Contract for Difference	n/a	n/a	Cash	3862	0.002 %
			Total	3862	0.002 %

8. Information in relation to the person subject to the notification obligation

	Person subject to the notification obligation is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both (if at least held 5% or more)
BlackRock, Inc.	%	%	%
Trident Merger, LLC	%	%	%
BlackRock Investment Management, LLC	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock Holdco 4, LLC	%	%	%
BlackRock Holdco 6, LLC	%	%	%
BlackRock Delaware Holdings Inc.	%	%	%
BlackRock Institutional Trust Company, National Association	%	%	%

BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock Holdco 4, LLC	%	%	%
BlackRock Holdco 6, LLC	%	%	%
BlackRock Delaware Holdings Inc.	%	%	%
BlackRock Fund Advisors	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock Capital Holdings, Inc.	%	%	%
BlackRock Advisors, LLC	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock (Singapore) Holdco Pte. Ltd.	%	%	%
BlackRock (Singapore) Limited	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock (Singapore) Holdco Pte. Ltd.	%	%	%
BlackRock Asia-Pac Holdco, LLC	%	%	%
BlackRock HK Holdco Limited	%	%	%
BlackRock Asset Management North Asia Limited	%	%	%

BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock (Singapore) Holdco Pte. Ltd.	%	%	%
BlackRock Asia-Pac Holdco, LLC	%	%	%
BlackRock HK Holdco Limited	%	%	%
BlackRock Cayco Limited	%	%	%
BlackRock Trident Holding Company Limited	%	%	%
BlackRock Japan Holdings GK	%	%	%
BlackRock Japan Co., Ltd.	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Australia Holdco Pty. Ltd.	%	%	%
BlackRock Investment Management (Australia) Limited	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Holdco 3, LLC	%	%	%
BlackRock Canada Holdings LP	%	%	%
BlackRock Canada Holdings ULC	%	%	%
BlackRock Asset Management Canada Limited	%	%	%

BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Advisors (UK) Limited	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Luxembourg Holdco S.à r.l.	%	%	%
BlackRock UK Holdco Limited	%	%	%
BlackRock Asset Management Schweiz AG	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Luxembourg Holdco S.à r.l.	%	%	%
BlackRock (Luxembourg) S.A.	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%

BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Luxembourg Holdco S.à r.l.	%	%	%
BlackRock Investment Management Ireland Holdings Limited	%	%	%
BlackRock Asset Management Ireland Limited	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Group Limited	%	%	%
BlackRock International Limited	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Group Limited	%	%	%
BlackRock International Limited	%	%	%
BlackRock Life Limited	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Group Limited	%	%	%

BlackRock (Netherlands) B.V.	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Investment Management (UK) Limited	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Investment Management (UK) Limited	%	%	%
BlackRock Asset Management Deutschland AG	%	%	%
BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Investment Management (UK) Limited	%	%	%
BlackRock Asset Management Deutschland AG	%	%	%
iShares (DE) I Investmentaktiengesellschaft mit Teilgesellschaftsvermögen	%	%	%

BlackRock, Inc.	%	%	%
BlackRock Holdco 2, Inc.	%	%	%
BlackRock Financial Management, Inc.	%	%	%
BlackRock International Holdings, Inc.	%	%	%
BR Jersey International Holdings L.P.	%	%	%
BlackRock Group Limited	%	%	%
BlackRock Investment Management (UK) Limited	%	%	%
BlackRock Fund Managers Limited	%	%	%

9. In case of proxy voting according to Sec. 22 para. 3 WpHG

Date of general meeting:	
Holding position after general meeting:	% (equals voting rights)

10. Other explanatory remarks:

Publication on October 30, 2018

United Internet AG: Release according to Article 40, Section 1 of the WpHG [the German Securities Trading Act] with the objective of Europe-wide distribution

Notification of Major Holdings

1. Details of issuer

Name:	United Internet AG
Street:	Elgendorfer Straße 57
Postal code:	56410
City:	Montabaur Germany
Legal Entity Identifier (LEI):	3VEKWPJHTD4NKMBVG947

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change of breakdown of voting rights
	Other reason:

3. Details of person subject to the notification obligation

Legal entity: Flossbach von Storch AG City of registered office, country: Köln, Germany

4. Names of shareholder(s)

holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached:

24 Oct 2018

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	Total of both in % (7.a. + 7.b.)	Total number of voting rights pursuant to Sec. 41 WpHG
New	3.14 %	0.00 %	3.14 %	205000000
Previous notification	2.98 %	0.00 %	2.98 %	/

7. Details on total positions
a. Voting rights attached to shares (Sec. 33, 34 WpHG)

ISIN	Absolute		In %	
	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)
DE0005089031	0	6446486	0.00 %	3.14 %
Total	6446486		3.14 %	

b.1. Instruments according to Sec. 38 (1) no. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		%

b.2. Instruments according to Sec. 38 (1) no. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
					%
			Total		%

8. Information in relation to the person subject to the notification obligation

	Person subject to the notification obligation is not controlled nor does it control any other undertaking(s) that directly or indirectly hold(s) an interest in the (underlying) issuer (1.).
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more)	% of voting rights through instruments (if at least 5% or more)	Total of both (if at least 5% or more)
Flossbach von Storch AG	%	%	%
Flossbach von Storch Invest S.A.	3.14 %	%	%

9. In case of proxy voting according to Sec. 34 para. 3 WpHG
(only in case of attribution of voting rights in accordance with Sec. 34 para. 1 sent. 1 No. 6 WpHG)

Date of general meeting:
Holding total positions after general meeting (6.) after annual general meeting:

Proportion of voting rights	Proportion of instruments	Total of both
%	%	%

10. Other explanatory remarks:

Date
29 Oct 2018

Publication on December 12, 2018

United Internet AG: Release according to Article 40, Section 1 of the WpHG [the German Securities Trading Act] with the objective of Europe-wide distribution

Notification of Major Holdings

1. Details of issuer

Name:	United Internet AG
Street:	Elgendorfer Straße 57
Postal code:	56410
City:	Montabaur Germany
Legal Entity Identifier (LEI):	3VEKWPJHTD4NKMBVG947

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change of breakdown of voting rights
	Other reason:

3. Details of person subject to the notification obligation

Legal entity: The Capital Group Companies, Inc.
City of registered office, country: Los Angeles, California, United States of America (USA)

4. Names of shareholder(s)

holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached:

07 Dec 2018

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	Total of both in % (7.a. + 7.b.)	Total number of voting rights pursuant to Sec. 41 WpHG
New	3.05 %	0 %	3.05 %	205000000
Previous notification	2.68 %	0 %	2.68 %	/

7. Details on total positions

a. Voting rights attached to shares (Sec. 33, 34 WpHG)

ISIN	Absolute		In %	
	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)
DE0005089031	0	6,247,327	0 %	3.05 %
Total	6,247,327		3.05 %	

b.1. Instruments according to Sec. 38 (1) no. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		%

b.2. Instruments according to Sec. 38 (1) no. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
					%
			Total		%

8. Information in relation to the person subject to the notification obligation

	Person subject to the notification obligation is not controlled nor does it control any other undertaking(s) that directly or indirectly hold(s) an interest in the (underlying) issuer (1.).
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more)	% of voting rights through instruments (if at least 5% or more)	Total of both (if at least 5% or more)
The Capital Group Companies, Inc.	%	%	%
Capital Research and Management Company	3.05 %	%	%

9. In case of proxy voting according to Sec. 34 para. 3 WpHG

(only in case of attribution of voting rights in accordance with Sec. 34 para. 1 sent. 1 No. 6 WpHG)

Date of general meeting:

Holding total positions after general meeting (6.) after annual general meeting:

Proportion of voting rights	Proportion of instruments	Total of both
%	%	%

10. Other explanatory remarks:

Date

12 Dec 2018

Publication on December 20, 2018

United Internet AG: Release according to Article 40, Section 1 of the WpHG [the German Securities Trading Act] with the objective of Europe-wide distribution

Notification of Major Holdings

1. Details of issuer

Name:	United Internet AG
Street:	Elgendorfer Straße 57
Postal code:	56410
City:	Montabaur Germany
Legal Entity Identifier (LEI):	3VEKWPJHTD4NKMBVG947

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change of breakdown of voting rights
	Other reason:

3. Details of person subject to the notification obligation

Legal entity: Allianz Global Investors GmbH
City of registered office, country: Frankfurt/Main, Germany

4. Names of shareholder(s)

holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached:

19 Dec 2018

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	Total of both in % (7.a. + 7.b.)	Total number of voting rights pursuant to Sec. 41 WpHG
New	5.03 %	0.41 %	5.44 %	205000000
Previous notification	4.9986 %	0.02 %	5.02 %	/

7. Details on total positions

a. Voting rights attached to shares (Sec. 33, 34 WpHG)

ISIN	Absolute		In %	
	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)	Direct (Sec. 33 WpHG)	Indirect (Sec. 34 WpHG)
DE0005089031		10310287	%	5.03 %
Total	10310287		5.03 %	

b.1. Instruments according to Sec. 38 (1) no. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		%

b.2. Instruments according to Sec. 38 (1) no. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
Contract for Difference	N/A	N/A	Cash	35200	0.02 %
Put Option	15.03.2019	N/A	Physical	798000	0.39 %
			Total	833200	0.41 %

8. Information in relation to the person subject to the notification obligation

	Person subject to the notification obligation is not controlled nor does it control any other undertaking(s) that directly or indirectly hold(s) an interest in the (underlying) issuer (1.).
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more)	% of voting rights through instruments (if at least 5% or more)	Total of both (if at least 5% or more)
Allianz SE	%	%	%
Allianz Asset Management GmbH	%	%	%
Allianz Global Investors GmbH	5.03 %	%	5.44 %

9. In case of proxy voting according to Sec. 34 para. 3 WpHG

(only in case of attribution of voting rights in accordance with Sec. 34 para. 1 sent. 1 No. 6 WpHG)

Date of general meeting:
Holding total positions after general meeting (6.) after annual general meeting:

Proportion of voting rights	Proportion of instruments	Total of both
%	%	%

10. Other explanatory remarks:

Date

20 Dec 2018

B. Reproduction of the auditor's report

We issued the following auditor's report on the annual financial statements and the management report for the Company and the Group:

"Independent auditor's report

To United Internet AG

Report on the audit of the annual financial statements and of the management report for the Company and the Group

Opinions

We have audited the annual financial statements of United Internet AG, Montabaur, which comprise the balance sheet as at 31 December 2018, and the income statement for the fiscal year from 1 January to 31 December 2018, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report for the Company and the Group of United Internet AG, for the fiscal year from 1 January to 31 December 2018. In accordance with the German legal requirements, we have not audited the content in section 7 of the management report for the Company and the Group (the Corporate Governance Report pursuant to No. 3.10 of the German Corporate Governance Code and the statement on corporate governance pursuant to Sec. 289f HGB ["Handelsgesetzbuch": German Commercial Code] and Sec. 315d HGB or the declaration pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] contained therein).

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2018 and of its financial performance for the fiscal year from 1 January to 31 December 2018 in compliance with German legally required accounting principles, and

- the accompanying management report for the Company and the Group as a whole provides an appropriate view of the Company's position. In all material respects, this management report for the Company and the Group is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report for the Company and the Group does not cover the content in section 7 of the management report for the Company and the Group (the Corporate Governance Report pursuant to No. 3.10 of the German Corporate Governance Code and the statement on corporate governance pursuant to Sec. 289f HGB and Sec. 315d HGB or the declaration pursuant to Sec. 161 AktG contained therein).

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report for the Company and the Group.

Basis for the opinions

We conducted our audit of the annual financial statements and of the management report for the Company and the Group in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report for the Company and the Group" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report for the Company and the Group.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

Impairment of financial assets

Reasons why the matter was determined to be a key audit matter

The financial assets presented in the financial statements of United Internet AG amount to 96% of total assets and comprise shares in affiliated companies and loans to affiliated companies. The executive directors tested the shares in and loans to affiliated companies for impairment as of the reporting date, consulting an external expert in the process. The impairment test of shares in and loans to affiliated companies is based on the historical experience of each entity and the expectations as to their future development. These expectations are based on many assumptions, which means that judgment is used to determine the net realizable values. In light of this and in view of the significance for the asset, liabilities and financial performance of United Internet AG, the impairment of financial assets was key audit matter.

Auditor’s response

As part of our audit procedures, we assessed the competence, capabilities and objectivity of the expert, obtained an understanding of the expert’s work and assessed the suitability of the expert opinion commissioned by the executive directors for testing the impairment of the financial assets as audit evidence. We also assessed the valuations by United Internet AG and the expert with the aid of our internal valuation specialists with regard to the methodology used and checked whether the underlying business plans used for the valuations are consistent with the budget figures approved by the executive directors. In addition, we analyzed further assumptions and estimates subject to judgment (such as growth rates or cost of capital) used to determine the fair values of the financial assets to determine whether they are consistent with general and industry-specific market expectations. Furthermore, we checked the clerical accuracy of the models.

Our audit procedures did not lead to any reservations relating to the assessment of impairment of the financial assets by the executive directors.

Reference to related disclosures

The Company's information on the impairment of financial assets is contained in the section "Accounting and valuation principles" and in the section "Financial assets" in the notes to the financial statements.

Other information

The executive directors are responsible for the other information. The other information comprises

- the Corporate Governance Report pursuant to No. 3.10 of the German Corporate Governance Code contained in section 7 of the management report for the Company and the Group,

- the declaration on company management pursuant to Sec. 289f HGB and Sec. 315d HGB or the declaration pursuant to Sec. 161 AktG contained therein in section 7 of the management report for the Company and the Group.

Our opinions on the annual financial statements and on the management report for the Company and the Group do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report for the Company and the Group or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the supervisory board for the annual financial statements and the management report for the Company and the Group

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report for the Company and the Group that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report for the Company and the Group that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report for the Company and the Group.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report for the Company and the Group.

Auditor's responsibilities for the audit of the annual financial statements and of the management report for the Company and the Group

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report for the Company and the Group as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report for the Company and the Group.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report for the Company and the Group.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report for the Company and the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report for the Company and the Group in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report for the Company and the Group or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

- Evaluate the consistency of the management report for the Company and the Group with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report for the Company and the Group. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor by the annual shareholders' meeting on 24 May 2018. We were engaged by the supervisory board on 21 June 2018. We have been the auditor of United Internet AG without interruption since fiscal year 2002.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Andreas Grote."

Eschborn/Frankfurt am Main, 27. März 2019

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Grote	Vorbrodt
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

RESPONSIBILITY STATEMENT

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

Montabaur, March 22, 2019

Board of Management

Ralph Dommermuth | Frank Krause