Annual Financial Statements

2015

MANAGEMENT REPORT FOR THE GROUP AND PARENT COMPANY

ANNUAL FINANCIAL STATEMENTS OF THE PARENT COMPANY ACC. TO HGB

CONTENTS OF THE MANAGEMENT REPORT

Note:

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 2015

1 COMPANY AND GROUP PROFILE

1.1 BUSINESS MODEL

Group structure

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

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

Within the sub-group 1&1 Telecommunication SE, the operating segment Access is managed in particular by 1&1 Telecom GmbH and Versatel Germany GmbH.

Operating activities in the Applications segment are primarily managed in the field of Business Applications by 1&1 Internet SE, including its main domestic and foreign subsidiaries. These include – in addition to 1&1's foreign subsidiaries 1&1 Internet Inc. (USA), 1&1 Internet Ltd. (UK), 1&1 Internet S.A.R.L. (France), 1&1 Internet España S.L.U. (Spain) and 1&1 Internet Sp.z o.o (Poland) – especially Arsys Internet S.L., Fasthosts Internet Ltd., home.pl S.A. (since December 30, 2015), InterNetX GmbH, Sedo GmbH and united-domains AG. In the field of Consumer Applications, the main companies are those pooled under 1&1 Mail & Media Applications SE, namely 1&1 Mail & Media GmbH, 1&1 De-Mail GmbH, United Internet Media GmbH and affilinet GmbH.

In addition to these operative and fully consolidated subsidiaries, United Internet holds a number of other investments. These mainly consist of the equity interests held by United Internet Ventures AG in the listed companies Drillisch AG, Germany (20.11%), Hi-Media S.A., France (10.46%), HiPay Group S.A., France (8.37%), and Rocket Internet SE, Germany (8.31%), as well as investments in the strategic partners ePages GmbH (25.10%), Open-Xchange AG (29.02%), ProfitBricks GmbH (28.57%), uberall GmbH (30.36%) and virtual minds AG (25.10%).

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

Simplified illustration of the Group structure (as of December 31, 2015) with significant operating subsidiaries and investments:

- **United Internet AG**
  - 1&1 Telecommunication SE (100 %)
    - 1&1 Telecom (100 %)
    - Versatel (100 %)
  - 1&1 Internet SE (100 %)
    - 1&1 Internet USA (100 %)
    - 1&1 Internet UK (100 %)
    - 1&1 Internet FR (100 %)
    - 1&1 Internet ES (100 %)
    - 1&1 Internet PL (100 %)
    - Arsys (100 %)
    - Fasthosts (100 %)
    - home.pl (100 %)
    - InterNetX (95.56 %)
    - Sedo (100 %)
    - united-domains (100 %)
  - 1&1 Mail & Media Applications SE (100 %)
    - 1&1 De-Mail (100 %)
    - 1&1 Mail & Media (100 %)
    - affilinet (100 %)
    - United Internet Media (100 %)
  - United Internet Ventures AG (100 %)
    - Drillisch (20.11 %)
    - Hi-Media (10.46 %)
    - HiPay (8.37 %)
    - Rocket Internet (8.31 %)
    - ePages (25.10 %)
    - Open-Xchange (29.02 %)
    - ProfitBricks (28.57 %)
    - uberall (30.36 %)
    - virtual minds (25.10 %)

Business operations

With 15.97 million fee-based customer contracts and 33.15 million ad-financed free accounts around the world, United Internet is Europe's leading internet specialist.

The Group's operating business is divided into the two segments "Access" and "Applications".

Access segment

The Access segment comprises the Group's fee-based landline and mobile access products, including the respective applications (such as home networks, online storage, telephony, video-on-demand or IPTV). In addition to these products for home users and small firms, the company also offers – since the complete takeover of Versatel on October 1, 2014 – data and network solutions for SMEs, as well as infrastructure services for large corporations.

With a current length of 40,825 km (December 31, 2014: 39,318 km), the Versatel network is Germany's second-largest fiber-optic network and is being constantly expanded. Owning its own network infrastructure gives United Internet the opportunity to gradually extend its vertical integration and reduce its purchases of DSL pre-services.

In its Access segment, United Internet operates exclusively in Germany where it is one of the leading providers. The company uses the Versatel network and also purchases standardized network services from various pre-service providers. These are enhanced with end-user devices, self-developed applications and services from the company's own "Internet Factory" in order to differentiate them from the competition.

Access products are marketed by the well-known brands GMX, WEB.DE, 1&1, and Versatel which enable the company to offer a comprehensive range of products while also targeting specific customer groups.

Applications segment

The Applications segment comprises the Group's application business – whether ad-financed or via fee-based subscriptions. These applications include domains, home pages, webhosting, servers and e-shops, Personal Information Management applications (e-mail, to-do lists, appointments, addresses), group work, online storage and office software. The applications are developed by the company's "Internet Factory" or in cooperation with partner firms and operated at the company's seven data centers. United Internet AG also offers its customers performance-based advertising and sales platforms on the internet via the Sedo and affilinet brands.

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

Applications are marketed to consumers and business customers via the differently positioned brands GMX, mail.com, WEB.DE, 1&1, Arsys, InterNetX, Fasthosts, home.pl and united-domains.

Segments, target groups and brands (as of: December 31, 2015):

Segment	Target group	Brand
Access	Consumer	1&1
	Business	versatel
Applications	Consumer	GMX, WEB.DE, mail.com, 1&1, united internet media, affilinet
	Business	home.pl, fasthosts, united domains, 1&1, arsys, InterNetX, sedo

Management

In the fiscal year 2015, the **Management Board** of United Internet comprised the company's founder and Chief Executive Officer Mr. Ralph Dommermuth, the deputy chair and Management Board member responsible for Business Applications Mr. Robert Hoffmann (with the company since 2006), the Management Board member responsible for Consumer Applications Mr. Jan Oetjen (with the company since 2008), the Management Board member responsible for Access Mr. Martin Witt (with the company since 2009) and the Chief Financial Officers Mr. Norbert Lang (until 30 June 2015) and Mr. Frank Krause (since 1 June 2015).

In April 2015, United Internet announced that its long-serving Chief Financial Officer (CFO), Mr. Norbert Lang, was to leave the company at his own request on June 30, 2015. After 21 years with the United Internet Group, 13 years of which as CFO, Norbert Lang has decided to create more free time for private matters and new projects.

The company's Supervisory Board was able to engage the services of Mr. Frank Krause as the new CFO of United Internet AG. After studying business administration, Frank Krause began his career in the Controlling division of Mannesmann Mobilfunk (D2) in 1992. From 1999 to 2007, he was Head of Controlling at the Mannesmann (and later Vodafone) subsidiary Arcor, before serving as Director of Controlling & Regions (Mobile & Fixed-Line) at Vodafone Germany from 2007 to mid-2009. In addition to day-to-day operations, he was responsible there for the commercial aspects of Arcor's integration into the Vodafone Group. From mid-2009 to the end of 2013, Frank Krause worked for Vodafone in Hungary and Turkey. In July 2009, he was appointed CFO of Vodafone Hungary and in September 2012 he took over the CFO position at Vodafone Turkey. Since the beginning of 2014, Frank Krause and his family have been back in Germany, where he served on the Management Board of Vodafone Germany with responsibility for Strategy & Corporate Development focusing on the integration of Kabel Deutschland into the Vodafone Group. Throughout the 23 years or so of his professional career, Frank Krause has also served on the supervisory boards of numerous companies belonging to the Vodafone Group. He has sat on the supervisory boards of Vodafone Germany, Vodafone Operations Center Hungary, and Kabel Deutschland, as well as Vodafone Hungary, Vodafone Cyprus, and Netcom Kassel.

Since July 1, 2015, the Management Board of United Internet AG has thus comprised the following 5 members:

- Ralph Dommermuth, CEO
- Robert Hoffmann, deputy chair, Management Board member responsible for Business Applications
- Jan Oetjen, Management Board member responsible for Consumer Applications
- Martin Witt, Management Board member responsible for Access
- Frank Krause, CFO

The Supervisory Board newly elected by the Annual Shareholders' Meeting 2015 once again comprised Mr. Kurt Dobitsch (chair), Mr. Michael Scheeren (deputy chair) and Mr. 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 90% of total sales. With its DSL products, the Group is among the top three suppliers in Germany’s broadband market and with its mobile internet products one of the fastest growing companies. United Internet is the market leader in Germany for hosting and cloud applications.

In Europe, United Internet’s hosting and cloud applications are now available in all major markets – either locally or via 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, where United Internet only began operations in May 2012, the company is among the market leaders in the aforementioned countries. All in all, therefore, United Internet is also the leading European supplier of hosting and cloud applications.

Further key sales markets for the Group’s application business 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 five leading companies in this segment.

Viewed globally, United Internet is thus one of the top three companies for hosting and cloud applications – also according to internet analysts such as 451 RESEARCH.

Main locations

As of December 31, 2015, United Internet employed a total of 8,239 people at around 40 domestic and foreign facilities.

Main locations (by headcount)

Location	Main activity	Company / brand
Montabaur	HQ, Investments, IR, PR, Finance, Risk Management, Internal Audit, Legal, Compliance, HR	United Internet
	Finance, PR, Marketing, Sales, Logistics, Customer Service for Access & Applications Business	1&1
Karlsruhe	Development, Product Management, Data Center Operation, Marketing, Sales, Purchasing, Customer Service for Access & Applications Business	1&1, WEB.DE, GMX, mail.com
Zweibrücken	Customer Service for Access & Applications Business	1&1
Munich	Applications Business (Portals)	GMX, WEB.DE
	Applications Business (Affiliate Marketing)	affilinet
Cebu City (Philippines)	Customer Service for Applications Business	1&1
Madrid / Logroño (Spain)	Applications Business, DC Operation in Spain	1&1, Arsys
Berlin	Development, Customer Service for Applications Business	1&1
	Access Business (B-to-B and Wholesale)	Versatel
Bucharest (Romania)	Development in Applications Business	1&1
Chesterbrook / Lenexa (USA)	Applications Business, DC Operation and Customer Service in North America	1&1
Stettin (Poland)	Applications Business in Poland	home.pl
Gloucester (UK)	Applications Business and DC Operation in UK	1&1, Fasthosts
Flensburg	Access Business (B-to-B and Wholesale)	Versatel
Dortmund	Access Business (B-to-B and Wholesale)	Versatel
Düsseldorf	Access Business (B-to-B and Wholesale)	Versatel
Cologne	Applications Business (Domain Marketing)	Sedo
Stuttgart	Access Business (B-to-B and Wholesale)	Versatel
Regensburg	Applications Business (Reselling)	InterNetX
Essen	Access Business (B-to-B and Wholesale)	Versatel
Starnberg	Applications Business (Domains)	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 business fields and markets – organically or via acquisitions and investments.

A large number of customer relationships also helps the company to utilize so-called economies of scale: the greater the customer demand for products created by our development teams and operated at our own data centers, the greater our profit will be. These profits can then be invested in new customers, new products and new 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 end users and companies will be United Internet's growth drivers in the years ahead – both as stand-alone products in the Applications business field as well as in combination with landline and mobile access products in the Access segment business field.

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 49 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 business fields in future, as well as in its further internationalization.

In addition to organic growth, United Internet also continually seeks possibilities (especially in Business Applications) for company acquisitions, investments and cooperations, in order to extend its market positions, competencies and product portfolios.

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 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 projection 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 continual 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, equity ratio). 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 key performance indicators (KPIs) are the number of fee-based customer contracts, sales, EBITDA, EBIT, and EPS. 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 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 own development teams, United Internet is able to react fast and flexibly to new ideas and trends and continually 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 and Bucharest), around 2,700 (prior year: 2,500) developers, product managers and technical administrators 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 and integrated 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 continual optimization of back-end operations, the company also focuses on continually enhancing existing processes in order to raise system reliability and thus also customer satisfaction.

Focus areas 2015

Access

Roll-out of 1&1 Business DSL

In July 2015, 1&1 rolled out an access product tailored specifically to the needs of small and mid-size companies: 1&1 Business DSL. In order to offer its special product and service components, such as “Express Fault Clearance” and “On-Site Setup”, new interfaces were set up and existing ones expanded.
In addition, customer care processes were adapted to enable premium service for business clients. Using Versatel's fiber-optic network, bandwidths of up to 1,000 MBit/s and individual service levels can be provided.

Expansion of digital service platform (Self Center)

In line with our customer figures, the requirements of customers regarding reliability, ease-of-use and direct availability also continue to grow. In order to meet these needs, a completely new and tailored customer portal has been developed. Via the responsive “Control Center

Web", customers can firstly access their current consumption, invoices, contracts and options directly on their PC or tablet. Secondly, these requests can now be made using the new free "Control Center App" for smartphones. Should customers need to contact our support team, they can now decide themselves which channel to use. The "Control Center Web" and "Control Center App" thus offer customers a completely new contact channel. There is also the possibility to access useful solutions tailored to the respective customer query.

Business Applications

Roll-out of the new 1&1 Cloud Server

In January 2015, the 1&1 "Next Generation Cloud Server" (NGCS) was successfully rolled out in Europe, and from mid-2015 also in North America. To this end, the technical platform at the data centers in Logroño (as of January 2015), in Lenexa (as of July 2015) and in Karlsruhe (as of December 2015) were made available for the 1&1 brand, and as of July 2015 also for the Arsys brand. The new 1&1 Cloud Server is based on the CloudBuilder of the Spanish hosting provider Arsys, acquired in 2013. In less than a minute, customers can create and immediately start using new virtual servers with all major operating systems and, as an option, also selected programs (e.g. WordPress). With the aid of virtual network components (such as load balancers, firewalls, VPNs, and VLANs), several virtual servers can be configured into complex clusters. Dedicated user/role management and standard features like cloning, backup and monitoring enable the creation and administration of virtual data centers via an easy-to-use Cloud Control Panel. In addition, an open NGCS cloud API with the respective SDKs (Software Developer Kits) in all common programming languages is targeted at the developer community to enable customized automation and integration.

Launch of version 8 of 1&1 MyWebsite

Version 8 of the website builder MyWebsite was presented in May 2015. In addition to numerous new features developed by our interdisciplinary teams, the new version offers small companies and freelancers in particular a new and easy way of enhancing their online presence. The highly complex issue of search engine optimization is designed specifically with the target groups in mind in version 8 of MyWebsite. The "1&1 Online Success Center" provides a central display of all elements that are important for being found online. Based on an analysis of these elements, users can gradually improve the success of their website in search engines and online directories. The central administration of basic information, such as name, address, phone number and opening times, enables users to improve their local search ranking. From a technical perspective, data structure definitions of schema.org and OpenGraph were used to make reading and processing this information easier for search engines. With the aid of integrated Google Preview feature, users can check how their information will be displayed in the most popular search engine and directly edit the relevant data. The "1&1 Online Success Center" also offers small companies the possibility to check and rate their presence in the most important online directories, like Google Maps, GMX and WEB.DE. To achieve this, MyWebsite and 1&1 List Local were technically integrated. Website content can be optimized with the aid of an SEO assistant, so that the site can be found more easily in search engines. Moreover, the entire product interface was optimized for tablets. Control elements have been enlarged, to ensure perfect operation on touch devices, and certain operating concepts totally revised to make them "touch-capable". Since version 8, customers can also display a "Mobile Bar" with contact information at the bottom of the page on their responsive design websites in smartphone view. In addition, the number of design templates which customers can use to get started was increased from approx. 50 to over 500, and sector-specific assets, such as apps, images and text which can be integrated into the site, were directly included in the templates.

Launch of List Local in the USA

“1&1 List Local” was implemented in the European market in late 2014. The successful concept of a central online administration of company data with 1-click publication and updating in online directories was subsequently adapted for the USA. “1&1 List Local” has been represented on the US market since March 2015. The characteristics of the US variant are, in particular, the large number of directories and real-time data synchronization. The directory number and synchronization speed were also significantly enhanced for the European market in 2015. The “1&1 List Local” offering has been further expanded in all markets. This includes a “Promotions” feature that enables companies to publish real-time offers in online directories as well as on Twitter. Also new is the “SafeGuard” feature which helps prevent third-party manipulation of company data and thus ensures data security. The increased range and data consistency offered by “1&1 List Local” helps companies significantly enhance their online visibility.

Consumer Applications

Roll-out of end-to-end encryption for WEB.DE and GMX email as well as for De-Mail

In August 2015, WEB.DE and GMX introduced end-to-end encryption based on the globally recognized “Pretty Good Privacy” (PGP) standard. This enables every email user of WEB.DE and GMX to encrypt all their communication – even with no prior technical knowledge. Previous methods were very complex and could only be used by technically proficient users. The two e-mail providers are using the open source software Mailvelope for PGP encryption in the browser. The providers ensure transparency by releasing the source code and commissioning external security experts to conduct audits. WEB.DE and GMX have simplified the complex PGP process by integrating various smart functions. A set-up assistant guides users through just a few steps until the first encrypted mail can be sent. Using the mail apps of WEB.DE and GMX, end-to-end encryption can also be used on mobile devices. In April 2015, end-to-end encryption was already released for De-Mail – the legally binding and cost-effective digital alternative to letters.

2 ECONOMIC REPORT

2.1 GENERAL ECONOMIC AND SECTOR CONDITIONS

General economic development

The International Monetary Fund (IMF) repeatedly downgraded its forecasts for the global economy throughout 2015. In the latest update to its “World Economic Outlook” on January 19, 2016, the Fund calculated growth for the **global economy** of 3.1% in 2015 (compared to 3.4% in the previous year). This is 0.4 percentage points less than the IMF had forecast in January 2015.

The Fund blamed this weaker-than-expected trend in 2015 above all on the following factors:

- Slowdown in development of emerging and developing countries
- Strong decline in commodity prices
- Change in interest rate policy in the USA

From the point of view of United Internet, the economies of its current target markets performed quite differently in the reporting period. Whereas the economic trend in the North American target countries was much worse than expected, the European target countries (with the exception of the UK) performed better than expected.

Although the **US economy** achieved slightly stronger growth of 2.5% in 2015 (compared to 2.4% in the previous year), this was 1.1 percentage point below the IMF’s forecast of January 2015. At 1.2%, economic growth in **Canada fell** well short of the prior-year figure (2.5%) and was also 1.1 percentage point below original expectations. Although **Mexico** raised economic growth to 2.5% (prior year: 2.3%), this was also a good 0.7 percentage points below the IMF’s original forecast.

The **eurozone** made further progress with growth of 1.5% (prior year: 0.9%) and also exceeded the original expectations by 0.3 percentage points.

With the exception of the non-eurozone nation UK, United Internet’s main European target markets – France, Spain and Italy – all posted stronger growth in 2015 than in the previous year, as well as in comparison to the IMF’s original growth expectations (forecast January 2015). **France** improved its growth rate to 1.1% (prior year: 0.2%) and surpassed the original expectations by 0.2 percentage points. **Spain** raised economic growth from 1.4% in the previous year to 3.2% in 2015 and was thus 1.2 percentage points above expectations. Following a recession of -0.4% in the previous year, **Italy** returned to growth with a year-on-year increase of 0.8% – which was also 0.4 percentage points above expectations.

The economic trend in **the UK** was significantly weaker than expected. Growth of 2.2% was much slower than in the previous year (2.9%) and also 0.5% below the original expectations.

The IMF calculated economic growth of 1.5% for **Germany**, United Internet’s most important market (sales share 2015: around 90%), in 2015. This is 0.1 percentage point less than in 2014 (1.6%) but at the same time 0.2 percentage points more than originally expected. The IMF’s calculations for Germany are in line with those of the country’s Federal Statistics Office, which also calculated growth in gross domestic product (GDP) of 1.5% (after price and calendar adjustments).

Changes in 2015 growth forecasts for United Internet's key target countries and regions

	January forecast	April forecast	July forecast	October forecast	Actual 2015	Change on January forecast
World	3.5%	3.5%	3.3%	3.1%	3.1%	- 0.4 %-points
USA	3.6%	3.1%	2.5%	2.6%	2.5%	- 1.1 %-points
Canada	2.3%	2.2%	1.5%	1.0%	1.2%	- 1.1 %-points
Mexico	3.2%	3.0%	2.4%	2.3%	2.5%	- 0.7 %-points
Eurozone	1.2%	1.5%	1.5%	1.5%	1.5%	+ 0.3 %-points
France	0.9%	1.2%	1.2%	1.2%	1.1%	+ 0.2 %-points
Spain	2.0%	2.5%	3.1%	3.1%	3.2%	+ 1.2 %-points
Italy	0.4%	0.5%	0.7%	0.8%	0.8%	+ 0.4 %-points
UK	2.7%	2.7%	2.4%	2.5%	2.2%	- 0.5 %-points
Germany	1.3%	1.6%	1.6%	1.5%	1.5%	+ 0.2 %-points

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

Historical GDP development in United Internet's key target countries and regions

	2011	2012	2013	2014	2015
World	3.9%	3.1%	3.3%	3.4%	3.1%
USA	1.8%	2.8%	2.2%	2.4%	2.5%
Canada	2.6%	1.7%	2.0%	2.5%	1.2%
Mexico	3.9%	3.7%	1.4%	2.3%	2.5%
Eurozone	1.4%	- 0.7%	- 0.5%	0.9%	1.5%
France	1.7%	0.0%	0.3%	0.2%	1.1%
Spain	0.4%	- 1.6%	- 1.2%	1.4%	3.2%
Italy	0.4%	- 2.5%	- 1.9%	- 0.4%	0.8%
UK	0.9%	0.3%	1.7%	2.9%	2.2%
Germany	3.1%	0.9%	0.2%	1.6%	1.5%

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

Historical development of price- and calendar-adjusted GDP in Germany

	2011	2012	2013	2014	2015
GDP	3.7%	0.6%	0.4%	1.6%	1.5%

Source: Statistisches Bundesamt, January 2016

Development of sector / core markets

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

(Stationary) broadband market in Germany

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 to 30.7 million in 2015, the number of new connections was again well below previous record years. However, this figure corresponds to 200,000 new connections more than in the previous year (prior year: +0.9 million new connections). 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 "TC Market Analysis for Germany 2015" published in October 2015.

In its survey "German Entertainment and Media Outlook 2015-2019" of December 2015, PricewaterhouseCoopers expected sales of landline broadband connections to rise by 1.8% to around € 7.92 billion in 2015.

According to calculations of Dialog Consult / VATM, however, 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 – with growth of 19.5% to 31.8 GB (per connection and month).

Key market figures: broadband access (landline) in Germany

	2015	2014	Change
Broadband connections (in million)	30.7	29.6	+ 3.7%
Broadband revenues (in € billion)	7.92	7.78	+ 1.8%
Data volume per connection and month (in GB)	31.8	26.6	+ 19.5%

Source: Dialog Consult / VATM; PricewaterhouseCoopers

Mobile internet market in Germany

The German mobile internet market continues to display dynamic growth. According to PricewaterhouseCoopers (PWC), the number of mobile internet users rose by 13.5% to 48.9 million in 2015.

At the same time, sales of mobile data services rose by 10.5% to € 6.95 billion in 2015.

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 30.4% to 377 MB.

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

	2015	2014	Change
Mobile internet users (in million)	48.9	43.1	+ 13.5%
Mobile internet revenues (in € billion)	6.95	6.29	+ 10.5%
Data volume per connection and month (in MB)	377	289	+ 30.4%

Source: PricewaterhouseCoopers; Dialog Consult / VATM

Global cloud computing market

There was also further dynamic growth in the cloud computing market. In an update of its study "Forecast Analysis: Public Cloud Services, Worldwide" published in August 2015, Gartner forecast global growth for public cloud services of 13.5% in 2015, from $ 153.9 billion to $ 174.7 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)

	2015	2014	Change
Global sales of public cloud services	174.7	153.9	+ 13.5%
thereof business process services (BPaaS)	39.2	38.1	+ 2.9%
thereof application services (SaaS)	31.4	27.2	+ 15.4%
thereof application infrastructure services (PaaS)	3.8	3.3	+ 15.2%
thereof system infrastructure services (IaaS)	15.8	12.3	+ 28.5%
thereof management and security services	5.0	4.2	+ 19.0%
thereof cloud advertising	79.4	68.8	+ 15.4%

Source: Gartner

German online advertising market

PWC expects that (net) revenues of the German online advertising market rose by 9.5% to around € 6.10 billion in 2015.

Mobile online advertising and video advertising in particular achieved strong growth of 31.0% and 22.2%, respectively.

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

	2015	2014	Change
Online advertising revenues	6.10	5.57	+ 9.5%
thereof search marketing	3.01	2.79	+ 7.9%
thereof display advertising	1.41	1.38	+ 2.2%
thereof affiliate / classifieds	0.97	0.94	+ 3.2%
thereof mobile online advertising	0.38	0.29	+ 31.0%
thereof video advertising	0.33	0.27	+ 22.2%

Source: PricewaterhouseCoopers

Legal conditions / significant events

In 2015, the legal parameters for United Internet's business activities remained largely unchanged from fiscal year 2014 and thus had no significant influence on the development of the United Internet Group.

There were also no significant events in fiscal 2015 which had a material effect on the development of business.

2.2 BUSINESS DEVELOPMENT

Actual and forecast development

United Internet can look back on a very successful fiscal year 2015. The forecasts published at the beginning of the year and updated during the year were met or even exceeded.

Forecast development

The following forecasts were published for the fiscal year 2015:

	Fiscal year 2014	1st forecast 2015 (from 03/2014)	2nd forecast 2015 (from 08/2014)
Fee-based customer contracts	14.78 million	+ approx. 0.8 million	+ approx. 0.88 million
Sales	€ 3.065 billion	+ approx. 20%	+ approx. 20%
EBITDA	€ 551.5 million(1)	+ approx. 40%	+ approx. 40%(2)

(1) Prior-year figures without one-off income from Versatel acquisition and portfolio optimization (EBITDA effect: € +186.1 million)
(2) Including effects from sale of Goldbach shares and part of stake in virtual minds (EBITDA effect: € +14.0 million)

Significant growth was also forecast for the financial KPIs EBIT and EPS in fiscal year 2015, compared to the prior-year figures adjusted for one-off income from the Versatel acquisition and the portfolio optimization (EBIT effect: € +186.1 million; EPS effect: € +0.82).

The one-off effects in fiscal year 2014 not considered by the forecasts can be summarized as follows:

One-off income from Versatel acquisition and portfolio optimization(1), total, net	EBITDA effect	€ +186.1 million
	EBIT effect	€ +186.1 million
	EPS effect	€ +0.82

(1) For further details, please see the Annual Report 2014, page 60 ff

Actual development

United Internet continued to invest heavily in new customer relationships in fiscal year 2015 and raised the number of **fee-based contracts** organically by 930,000 contracts (March forecast: + approx. 800,000; August forecast: + approx. 880,000).

In addition to this organic growth in contract figures, there were two one-off effects at the end of 2015:

- Following approval by the relevant anti-trust authorities, United Internet was able to close its acquisition of home.pl, the market leader in Poland's webhosting market, on December 30, 2015. The acquisition led to the addition of around 340,000 contracts of home.pl on top of United Internet's organic customer growth.

- As already reported on publication of the 9-month 2015 figures, United Internet raised domain prices in its non-European markets as planned in the third quarter of 2015 and initiated a streamlining of contracts – especially in the low-margin client group of so-called "domainers". At the same time, it was stated that the price increase – in view of standard contract terms for domains of one year – would also lead to contract losses in the following quarters. In the course of current considerations regarding a possible IPO for the "Business Applications" division, the company's Management Board decided to remove further domain contracts from stock in this low-margin customer group at the end of 2015.

This measure led to a one-off stock adjustment of around 80,000 contracts at the turn of the year. No effects on future earnings are expected from this adjustment.

Including the new home.pl contracts and the above mentioned streamlining of "domainers", the number of customer contracts rose by 1.19 million contracts to 15.97 million in fiscal year 2015.

Consolidated sales rose to the new record figure of € 3.716 billion in fiscal year 2015 – representing year-on-year growth of 21.2% (forecast: approx. 20%).

Despite easily surpassing forecasts for customer growth, with the related increase in customer acquisition costs, the original earnings forecasts were also achieved. This was helped in part by the proceeds from two sales affecting EBITDA: the one-off income of € 5.6 million from the sale of shares in Goldbach Group AG and an amount of € 8.4 million from selling part of the company's shareholding in virtual minds AG. These sales proceeds were used to offset the expenses for organic contract growth, which was 130,000 contracts higher (+930,000 contracts) than originally forecast (+ approx. 800,000 contracts).

EBITDA at Group level rose by 37.3% from € 551.5 million (comparable prior-year figure) to € 757.2 million. Including the above mentioned sales proceeds, the figure grew by 39.8% (forecast: approx. 40%) to € 771.2 million.

There was also a strong year-on-year improvement in EBIT and EPS. Including effects from sales proceeds, **EBIT** increased by 29.1%, from € 430.6 million in the previous year to € 555.7 million, while **EPS** rose by 23.3% from € 1.46 in the previous year to € 1.80.

Summary: actual and forecast development of business in 2015

	Actual figures 2014	1st forecast 2015 (from 03/2014)	2nd forecast 2015 (from 08/2014)	Actual figures 2015
Customer contracts	14.78 million	+ approx. 800,000	+ approx. 880,000	15.71 million = + 930,000(3)
Sales	€ 3.065 billion	+ approx. 20%	+ approx. 20%	€ 3.716 billion = + 21.2%
EBITDA	€ 551.5 million(1)	+ approx. 40%	+ approx. 40%(2)	€ 757.2 million + € 14.0 million(4) = € 771.2 million =+ 39.8%

(1) Without one-off income from Versatel acquisition and portfolio optimization (EBITDA/EBIT effect: € +186.1 million; EPS effect: € +0.82); for further details, please see the Annual Report 2014, page 60 ff
(2) Including effects from sale of Goldbach shares and part of stake in virtual minds (EBITDA effect: € +14.0 million)
(3) Organic growth (without home.pl and without one-off contract streamlining)
(4) Effects from sale of Goldbach shares and part of stake in virtual minds

Segment development

Access segment

The **Access segment** comprises the company's fee-based landline and mobile access products, including the respective applications (such as home networks, online storage, telephony, video-on-demand or IPTV). In addition to these products for home users and small firms, the company also offers – since the complete takeover of Versatel on October 1, 2014 – data and network solutions for SMEs, as well as infrastructure services for large corporations.

With a current length of 40,825 km (December 31, 2014: 39,318 km), the Versatel network is Germany's second-largest fiber-optic network. The Group's own network infrastructure is being constantly expanded and gives United Internet the opportunity to gradually extend its vertical integration and reduce its purchases of DSL pre-services.

United Internet operates exclusively in Germany in its Access segment, where it is one of the leading providers. The company uses the Versatel landline network and also purchases standardized network services from various pre-service providers. These are enhanced with end-user devices of leading providers, self-developed applications and services from the company's own "Internet Factory" in order to differentiate them from the competition.

Access products are marketed by the well-known brands GMX, WEB.DE, 1&1, and Versatel which enable the company to offer a comprehensive range of products while also targeting specific customer groups.

In line with the dynamic development of customer figures and the full-year consolidation of Versatel (prior year: € 130.6 million from consolidation in the 4th quarter), **segment sales** grew strongly once again in fiscal 2015 by 28.5%, from € 2,135.1 million in the previous year to € 2,742.6 million (thereof € 517.9 million from the consolidation of Versatel). The segment's share of total Group sales thus amounted to approx. ¾ of the Group's total revenues.

In the fiscal year 2014, segment earnings were affected by various one-off income amounts from the Versatel acquisition. In total, this one-off income contributed € 112.6 million to segment EBITDA and EBIT. Further details on these one-off effects in the previous year are provided in the Annual Report 2014, page 60 ff.

Without consideration of these special items, earnings rose strongly again – despite heavy investment in customer growth and the full expensing of device subsidies in the company's fast growing Mobile Internet business (+880,000 contracts in 2015 compared to +620,000 in the previous year). **Segment EBITDA** increased by 48.8%, from € 330.8 million in the previous year to € 492.1 million (thereof € 146.1 million from the consolidation of Versatel), while **segment EBIT** improved by 25.6%, from € 267.8 million to € 336.4 million (thereof € 17.2 million from the initial consolidation of Versatel).

All **customer acquisition costs** for DSL and Mobile Internet products, as well as costs for the migration of resale DSL connections to complete DSL packages (ULL = Unbundled Local Loop), continue to be charged directly as expenses.

As a result of the expansion of business and staff transfers from the Applications segment, the number of **employees** in this segment rose by 6.0% to 3,142 (prior year: 2,965).

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

	2015	2014[1]	Change
Sales	2,742.6	2,135.1	+ 28.5%
EBITDA	492.1	330.8	+ 48.8%
EBIT	336.4	267.8	+ 25.6%

(1) 2014 without one-off income from Versatel acquisition (EBITDA and EBIT effect: €+112.6 million)

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

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q4 2014[1]	Change
Sales	662.2	676.5	696.5	707.4	653.4	+ 8.3%
EBITDA	109.2	108.4	127.0	147.5	116.9	+ 26.2%
EBIT	69.9	68.6	88.4	109.5	74.5	+ 47.0%

(1) 2014 without one-off income from Versatel acquisition (EBITDA and EBIT effect: €+112.6 million)

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

	2011	2012	2013	2014[1]	2015
Sales	1,368.0	1,586.1	1,788.3	2,135.1	2,742.6
EBITDA	152.3	191.8	245.4	330.8	492.1
EBITDA margin	11.1%	12.1%	13.7%	15.5%	17.9%
EBIT	122.2	164.3	217.4	267.8	336.4
EBIT margin	8.9%	10.4%	12.2%	12.5%	12.3%

(1) 2014 without one-off income from Versatel acquisition (EBITDA and EBIT effect: €+112.6 million)

The number of fee-based **Access contracts** rose by 1.01 million contracts in fiscal year 2015. This growth is 180,000 contracts more than in the prior-year period (830,000 contracts without Versatel acquisition).

Of this figure, the segment added 880,000 new contracts in its Mobile Internet business and thus raised the number of customers to 3.48 million.

There was also growth in complete DSL contracts with the addition of 190,000 customer contracts to reach a total of 4.08 million. As expected, the number of customer contracts for those business models being phased out (T-DSL and R-DSL) continued to fall slightly (-60,000 customer contracts). All in all, the total number of DSL contracts grew by a further 130,000 contracts to 4.32 million.

As a result, The number of customers in the Access segment rose to a total of 7.80 million.

Development of Access contracts in fiscal year 2015
(in million)

	Dec. 31, 2015	Dec. 31, 2014	Change
Access, total contracts	7.80	6.79	+ 1.01
thereof Mobile Internet	3.48	2.60	+ 0.88
thereof DSL complete (ULL)	4.08	3.89	+ 0.19
thereof T-DSL / R-DSL	0.24	0.30	– 0.06

Development of Access contracts in the 4th quarter of 2015
(in million)

	Dec. 31, 2015	Sep. 30, 2015	Change
Access, total contracts	7.80	7.52	+ 0.28
thereof Mobile Internet	3.48	3.25	+ 0.23
thereof DSL complete (ULL)	4.08	4.02	+ 0.06
thereof T-DSL / R-DSL	0.24	0.25	– 0.01

Applications segment

The **Applications segment** comprises the Group's application business – whether ad-financed or via fee-based subscriptions. These applications include domains, home pages, webhosting, servers and e-shops, Personal Information Management applications (e-mail, to-do lists, appointments, addresses), group work, online storage and office software. The applications are developed by the company's "Internet Factory" or in cooperation with partner firms and operated at the company's seven data centers. United Internet also offers its customers performance-based advertising and sales platforms on the internet via the Sedo and affilinet brands.

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

Applications are marketed to consumers and business customers via the differently positioned brands GMX, mail.com, WEB.DE, 1&1, Arsys, InterNetX, Fasthosts, home.pl and united-domains.

By successfully expanding business with existing customers, focusing on high-quality customer relationships, and increasingly monetizing free accounts via advertising, **segment sales** rose by 7.7%, from € 929.4 million in the previous year to € 1,001.2 million in fiscal year 2015. Sales generated abroad increased by 11.2% to € 383.6 million (prior year: € 344.9 million). All in all, the Applications segment accounted for around ¼ of total Group sales.

Key earnings figures easily outpaced this growth in sales. **Segment EBITDA** rose by 23.3%, from € 228.6 million in the previous year to € 281.9 million, while **Segment EBIT** increased by 30.2% from € 170.9 million in the previous year to € 222.5 million.

Customer acquisition costs in this segment also continue to be charged directly as expenses.

Due to the takeover of home.pl at the end of the year, the number of **employees** in the Applications segment grew by 2.4% to 4,945 (prior year: 4,829) – despite the opposing effect of internal staff transfers.

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

	2015	2014	Change
Sales	1,001.2	929.4	+ 7.7%
EBITDA	281.9	228.6	+ 23.3%
EBIT	222.5	170.9	+ 30.2%

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

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q4 2014	Change
Sales	247.5	249.3	244.9	259.5	240.7	+ 7.8%
EBITDA	68.2	67.8	72.6	73.3	57.0	+ 28.6%
EBIT	53.3	53.0	57.3	58.9	44.8	+ 31.5%

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

	2011	2012	2013	2014	2015
Sales	725.8	810.2	867.0	929.4	1,001.2
EBITDA	183.4	132.1	168.7	228.6	281.9
EBITDA margin	25.3%	16.3%	19.5%	24.6%	28.2%
EBIT[(1)]	125.0	66.6	102.1	170.9	222.5
EBIT margin	17.2%	8.2%	11.8%	18.4%	22.2%

(1) 2012 without special items (Sedo impairment charges: EBIT effect: € -46.3 million)

In the Applications segment, United Internet made changes to its sales and marketing measures for **Business Applications** in fiscal year 2014. As part of this change, the focus in fiscal year 2015 was still primarily 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.

With this in mind, United Internet raised domain prices in its non-European markets as planned in the third quarter of 2015 and initiated a streamlining of contracts – especially in the low-margin client group of the so-called "domainers". This measure led to fewer new domain contracts and a higher churn rate among existing domain contracts, thereby reducing the stock of contracts in the second half of the year (after a stable stock level in the first half of the year) by 80,000 contracts to 5.73 million.

Contract figures for Business Applications were also affected by two special items at the end of 2015:

- Following approval by the relevant anti-trust authorities, the acquisition of home.pl – the market leader in Poland's webhosting market – was closed on December 30, 2015. The takeover led to around 340,000 contracts of home.pl being added to the stock of contracts as of December 31, 2015.
- In its 9-month reporting, United Internet indicated that the above mentioned price increase would also lead to contract losses in the following quarters – in view of standard contract terms for domains of one year. In the course of considerations regarding a possible IPO for the "Business Applications" division, the company's Management Board decided to remove further domain contracts from stock in the low-margin "domainer" client group already at the end of 2015. This measure led to a one-off stock adjustment of around 80,000 contracts at the turn of the year. No effects on future earnings are expected from this adjustment.

Including the new home.pl contracts and the above mentioned streamlining of "domainers", the number of customer contracts for Business Applications thus rose by 180,000 contracts in fiscal year 2015.

Development of Business Applications contracts in fiscal year 2015
(in million)

	Dec. 31, 2015[1]	Dec. 31, 2014	Change
Business Applications, total contracts	5.99	5.81	+ 0.18
thereof "domestic"	2.35	2.42	- 0.07
thereof "foreign"	3.64	3.39	+ 0.25

(1) Including +340,000 contracts from home.pl acquisition and -80,000 from "domainer" contract streamlining

Development of Business Applications contracts in the fourth quarter of 2015
(in million)

	Dec. 31, 2015[1]	Sep. 30, 2015	Change
Business Applications, total contracts	5.99	5.77	+ 0.22
thereof "domestic"	2.35	2.37	- 0.02
thereof "foreign"	3.64	3.40	+ 0.24

(1) Including +340,000 contracts from home.pl acquisition and -80,000 from "domainer" contract streamlining

In the field of **Consumer Applications**, the main focus in fiscal year 2015 was still on monetizing ad-financed accounts – in view of further strong demand for online advertising. United Internet therefore limited the ad space for pay products once again in 2015.

Despite this limitation, the contract losses over the year for pay accounts were offset in the fourth quarter of 2015 and the stock of contracts was unchanged from the prior-year figure at 2.18 million. At the same time, the number of free accounts rose strongly by 1.03 million to 33.15 million in fiscal year 2015.

Development of Consumer Applications contracts in fiscal year 2015
(in million)

	Dec. 31, 2015	Dec. 31, 2014	Change
Consumer Applications, total accounts	35.33	34.30	+ 1.03
thereof with Premium Mail subscription	1.77	1.84	- 0.07
thereof with Value-Added subscription	0.41	0.34	+ 0.07
thereof free accounts	33.15	32.12	+ 1.03

Development of Consumer Applications contracts in the fourth quarter of 2015
(in million)

	Dec. 31, 2015	Sep. 30, 2015	Change
Consumer Applications, total accounts	35.33	34.75	+ 0.58
thereof with Premium Mail subscription	1.77	1.78	- 0.01
thereof with Value-Added subscription	0.41	0.36	+ 0.05
thereof free accounts	33.15	32.61	+ 0.54

Group investments

United Internet AG continued to optimize its investment portfolio in the fiscal year 2015. New strategic investments were made (Drillisch, home.pl), stakes in existing holdings were increased (Rocket Internet) or decreased (virtual minds), and investments sold (Goldbach Group). Considerations also began regarding a potential IPO for the “Business Applications” division.

Significant changes in investments

Rocket Internet SE

The United Internet investment Rocket Internet SE (formerly Rocket Internet AG) conducted a capital increase for cash contribution with partial use of Authorized Capital on February 13, 2015. The capital increase raised the company’s capital stock from € 153,130,566 to € 165,140,790. The new shares were offered exclusively to institutional investors by means of a private placement and accelerated bookbuilding process. The 12,010,224 new shares were allocated at a placement price of € 49.00 per share. In the course of this capital increase, United Internet acquired 1,201,000 Rocket shares for a total of around € 58.8 million and now holds 8.31% of shares in Rocket (December 31, 2014: 8.18%).

Goldbach Group AG

On April 10, 2015, United Internet sold its 898,970 shares in Goldbach Group AG over the counter at a price of CHF 21.00 or € 20.14 per share and thus received total proceeds of CHF 18.9 million or € 18.2 million (EBITDA-effective: € 5.6 million).

Drillisch AG

On April 27, 2015, United Internet announced that on that day it had contractually secured – via its subsidiary United Internet Ventures – the purchase of an approx. 9.1% equity stake in Drillisch AG. After approval by the relevant anti-trust authorities and closing of the share purchase, United Internet had a total indirect holding – including other shares already held – of 20.70% (currently: 20.11% after capital increase of Drillisch AG). United Internet regards Drillisch as a well-positioned company with promising market opportunities. The company’s product portfolio and target groups fit well with the Access business of the United Internet Group. As a strategic shareholder, United Internet will accompany the further development of Drillisch AG and profit from its growth. However, United Internet does not currently intend to acquire an equity stake of 30% or more in Drillisch AG – which would oblige it to submit a mandatory bid to all other shareholders of Drillisch AG – nor to make a voluntary takeover bid.

virtual minds AG

In September 2015, the ProSiebenSat.1 Group acquired – as the second strategic investor – a 51.00% stake in virtual minds AG. United Internet had already held a stake in this company since 2008 and still holds a stake of 25.10% (previously: 48.65%) after the investment by the ProSiebenSat.1 Group. The company’s founders and management team also continue to hold shares in the company. United Internet received proceeds of € 13.3 million from the share sale (EBITDA-effective: € 8.4 million).

HiPay Group S.A.

In June 2015, the listed United Internet investment Hi-Media S.A. (10.46%) span off its activities in the field of online payment to create the company HiPay Group, which it also listed on the Paris stock exchange. Following the transaction, United Internet now also owns an 8.37% stake in HiPay.

home.pl S.A.

On July 10, 2015, United Internet reached an agreement with the owners of home.pl S.A. (Stettin, Poland) – led by the private equity fund V4C Eastern Europe – regarding the acquisition of all shares in home.pl by the United Internet subsidiary 1&1 Internet SE. With sales of around € 25 million, home.pl is the clear market leader in the Polish webhosting market. Following approval by the relevant anti-trust authorities, the transaction was closed on December 30, 2015. All in all, € 154.5 million was paid (purchase price less cash received) during the closing for 100% of home.pl shares. It is planned that home.pl will continue to operate as an independent company under the leadership of its current management team. Together with the United Internet brand 1&1, which has already been operating in Poland since 2010, the aim is to gain further ground on the Polish market.

Possibility of an IPO for “Business Applications” division checked

Now that the European webhosting market (as a sub-market of the entire cloud computing market) has largely been carved up, United Internet plans to focus more on acquisitions in future – in addition to organic growth. With its successful takeovers in the past years of InterNetX, Sedo, Fasthosts, united-domains, Arsys and now home.pl, United Internet has already gained extensive experience in this field. Against this backdrop, United Internet AG has decided to examine the possibility of an IPO for its “Business Applications” division. Should the result of this examination be positive, an IPO is to be launched in mid-2017. Separate access to the capital market and Applications shares as an additional acquisition currency would make it easier to fund takeovers from equity, as sellers often want to retain an investment in the sector with part of their sales proceeds in order to benefit from future growth and the economies of scale offered by the combined company.

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, 2015.

Significant investments in listed companies

United Internet has held a stake in **Hi-Media S. A.**, Paris / France since the transfer of the Group’s Display Marketing business “AdLINK Media” to Hi-Media in July 2009. As of December 31, 2015, this shareholding amounted to 10.46%. In June 2015, Hi-Media span off its activities in the field of online payment to create the company **HiPay Group S. A.**, Paris / France, which it also listed on the Paris stock exchange. As a result, United Internet now also owns an 8.37% stake in HiPay. The market capitalization of HiPay as of December 31, 2015 amounted to around € 45 million. Due in part to the spin-off of HiPay, the market capitalization of Hi-Media has fallen and amounted to around € 13 million as of December 31, 2015 (prior year: before HiPay spin-off: € 113 million).

United Internet has held an investment in **Rocket Internet SE** since August 2014. As of December 31, 2015 the share of voting rights amounted to 8.31%. The company’s market capitalization as of December 31, 2015 was around € 4.664 billion (prior year: € 7.869 billion).

In April 2015, United Internet announced that it had acquired an equity stake in **Drillisch AG**. As of December 31, 2015, the share of voting rights amounted to 20.11%. The company’s market capitalization as of December 31, 2015 was around € 2.141 billion (prior year: € 1.573 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). Following the sale of shares in virtual minds to ProSiebenSat.1, United Internet's share of voting rights amounted to 25.10% as of December 31, 2015. Via its ADITION brand also an adserving supplier of United Internet portals, virtual minds generated a positive result once again in its fiscal year 2015.

In November 2010, United Internet acquired a stake in ProfitBricks GmbH (main activity: IaaS solutions: IaaS = Infrastructure-as-a-Service). As of December 31, 2015, United Internet's share of voting rights amounted to 28.57%. ProfitBricks is still developing its brand and client base and closed its fiscal year 2015 with a negative result.

In July 2013, United Internet acquired a stake in Open-Xchange AG (main activity: e-mail and collaboration solutions). As of December 31, 2015, United Internet's share of voting rights amounted to 29.02%. United Internet has already been working successfully with the company for many years in its Applications business. Open-Xchange closed its fiscal year 2015 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 Internet 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. ePages posted a further positive result in its fiscal year 2015.

In April 2014, United Internet acquired a stake in uberall GmbH (main activity: online listings). As of December 31, 2015, the share of voting rights amounted to 30.36%. In addition, uberall and United Internet's subsidiary 1&1 Internet SE agreed a long-term cooperation contract for the use of uberall solutions. uberall is still in the start-up phase and posted a negative result in its fiscal year 2015.

Share and dividend

Share

On the back of very strong company progress and accompanied by an upbeat mood on the stock markets, the United Internet AG share continued its good performance of the previous years and closed 2015 at a new all-time high.

Specifically, the United Internet **share** grew by 35.8% to € 50.91 in fiscal 2015 (December 31, 2014: € 37.49). The share's performance thus exceeded that of the DAX (+9.6%) and TecDAX (+33.5%) indices.

There was a corresponding increase in the **market capitalization** of United Internet AG from around € 7.69 billion in the previous year to around € 10.44 billion as of December 31, 2015.

In fiscal year 2015, average daily trading via the XETRA electronic computer trading system amounted to around 355,000 shares (prior year: 421,000) with an average value of € 15.28 million (prior year: € 13.73 million).

Share performance
(in €; all stock exchange figures are based on Xetra trading)

	2011	2012	2013	2014	2015
Year-end	13.80	16.31	30.92	37.49	50.91
Performance	+ 13.4%	+ 18.2%	+ 89.6%	+ 21.2%	+ 35.8%
Year-high	14.79	17.55	31.00	37.95	51.94
Year-low	10.58	12.49	16.11	28.35	36.17
Average daily turnover	7,974,042	4,906,732	8,554,509	13,731,799	15,279,407
Average daily turnover (units)	613,960	332,898	367,102	420,640	354,904
Number of shares at year-end	215 million	215 million	194 million	205 million	205 million
Market value at year-end	2.97 billion	3.51 billion	6.00 billion	7.69 billion	10.44 billion
Earnings per share (EPS)	0.79	0.56	1.07	2.28	1.80
Adjusted earnings per share(1)	0.72	0.70	1.07	1.46	1.80

(1) Without special items: 2011 without positive one-off effect from sale of Versatel shares (EPS effect: € +0.07); 2012 without negative one-off effect from impairment charges (EPS effect: € -0.23) and without positive one-off effect from sale of freenet shares (EPS effect: € +0.09); 2014 without positive one-off effect from Versatel acquisition and portfolio optimization (EPS effect: € +0.82)

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	TecDAX
Sector	Software

Shareholder structure

Shareholder	Shareholding
Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft	39.02%
RD Holding GmbH & Co. KG (Ralph Dommermuth)	0.98%
Blackrock	4.96%
Allianz Global Investors	3.00%
United Internet (treasury stock)	0.45%
Free float	51.59%

As of December 31, 2014, figures are based on the last respective notification of voting rights

Dividend

In fiscal year 2015, United Internet continued to pursue its shareholder-friendly dividend policy based on continuity. The company's Annual Shareholders' Meeting on May 21, 2015 voted to accept the proposal of the Management Board and Supervisory Board to pay a dividend of € 0.60 per share for fiscal year 2014 (prior year: € 0.40). The total dividend payment of € 122.3 million (prior year: € 77.3 million) was made on May 22, 2015. The dividend payout ratio amounted to 27.3% of consolidated net income after tax for 2014, or 43.0% of adjusted consolidated net income for 2014. The ratio was thus slightly above the 20-40% of adjusted consolidated net income targeted by the company's dividend policy, unless funds are required for further company development.

For fiscal year 2015, the Management Board will propose to the Supervisory Board a dividend of € 0.70 per share, which is at the upper end of the targeted payout range. The Management Board and Supervisory Board will discuss this dividend proposal at the Supervisory Board meeting on March 16, 2016 (and thus after the editorial deadline for this Management Report). The Annual Shareholders' Meeting on May 19, 2016 will vote on the joint proposal of the Management Board and Supervisory Board.

On the basis of 204.1 million shares with dividend entitlement (as of December 31, 2015), the total dividend payment for fiscal year 2015 would amount to € 142.9 million. This would correspond to 39.0% of consolidated net income after tax for 2015 (€ 366.6 million). Based on the year-end 2015 price of the United Internet share, the dividend yield would amount to 1.4%.

Dividend development

	For 2011	For 2012	For 2013	For 2014	For 2015[1]
Dividend per share (in €)	0.30	0.30	0.40	0.60	0.70
Dividend payment (in € million)	58.1	58.0	77.5	122.3	142.9
Payout ratio	35.8%	53.6%	37.4%	27.3%	39.0%
Adjusted payout ratio[2]	35.8%	37.5%	37.4%	43.0%	39.0%
Dividend yield[3]	2.2%	1.8%	1.3%	1.6%	1.4%

(1) Subject to approval of Supervisory Board and Annual Shareholders' Meeting 2016
(2) Without special items: Sedo impairment charges (2012); one-off income from Versatel acquisition and portfolio optimization (2014)
(3) As of: December 31

Annual Shareholders' Meeting 2015

The Annual Shareholders' Meeting of United Internet AG was held in Frankfurt am Main on May 21, 2015. A total of 68% of capital stock was represented. The shareholders adopted all resolutions on the agenda requiring voting with large majorities.

Capital stock and treasury shares

The company's Management Board resolved on June 13, 2014 to launch a new share buyback program. In the course of this share buyback program, up to 2,000,000 company shares can be bought back via the stock exchange. The buyback is based on the authorization of the Annual Shareholders' Meeting of May 22, 2014 to buy back treasury shares representing up to 10% of the company's capital stock. The authorization was issued for the period up to September 22, 2017. United Internet AG did not repurchase any treasury shares in fiscal year 2015.

As of December 31, 2015, United Internet held 917,859 treasury shares (December 31, 2014: 1,232,338), corresponding to 0.45% of current capital stock of € 205 million. The decline in treasury stock results from the issue of shares for employee stock ownership plans.

Investor Relations

In fiscal 2015, 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 and annual reports, as well as at press and analyst conferences. 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, Belgium, Denmark, France, the UK, the Netherlands, Sweden Switzerland, Spain, and the USA. Around 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).

2.3 POSITION OF THE GROUP

Group's earnings position

Thanks to the further strong year-on-year increase in customer figures and the full-year consolidation of Versatel (prior year: € 130.6 million from consolidation in fourth quarter), consolidated **sales** of the United Internet Group grew by 21.2% from € 3,065.0 million in the previous year to € 3,715.7 million (thereof € 517.9 million from the Versatel consolidation). Sales of the Access segment improved by 28.5%, from € 2,135.1 million to € 2,742.6 million (including the Versatel consolidation), while sales in the Applications segment grew by 7.7%, from € 929.4 million to € 1,001.2 million. **Foreign sales** increased by 11.2% from € 344.9 million in the previous year to € 383.6 million.

United Internet once again invested heavily in new customer relationships in its fiscal year 2015. As a result, the number of **fee-based customer contracts** was increased organically by 930,000 contracts. In addition, there were 340,000 contracts from the takeover of home.pl. There was an opposing effect from the one-off streamlining of 80,000 Applications contracts. All in all, the number of fee-based customer contracts thus increased by 1.19 million to 15.97 million. This customer growth was driven in particular by the Access segment, in which United Internet achieved an organic increase of 1.01 million customer contracts (880,000 Mobile Internet contracts and 130,000 DSL connections). In total, this is 180,000 contracts more than in the same period last year (prior year: 0.83 million without Versatel acquisition). **Ad-financed free accounts** in the Applications segment rose by 1.03 million to 33.15 million in 2015.

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

Due to the full-year consolidation of Versatel (consolidation in fourth quarter), the following cost items and their relationship to sales (cost ratios) are only comparable with the prior-year figures to a limited extent.

Due to economies scale and improved conditions for the purchase of pre-services, the **cost of sales** increased more slowly than sales from € 2,034.5 million (66.4% of sales) in the previous year to € 2,437.2 million (65.6% of sales) in fiscal year 2015. Consequently, **gross margin** rose from 33.6% in the previous year to 34.4%, while the 24.1% increase in **gross profit** from € 1,030.5 million in the previous year to € 1,278.5 million even exceeded sales growth (21.2%).

Despite strong customer growth in the Access segment, the increase in **sales and marketing expenses** from € 481.3 million (15.7% of sales) in the previous year to € 557.2 million (15.0% of sales) was proportionately lower than the rise in sales. The higher selling expenses ratio of the fiscal year 2014 resulted mainly from the marketing campaign in the first half of the year for DSL premium tariffs.

General and administrative expenses rose from € 136.9 million (4.5% of sales) in the previous year to € 182.2 million (4.9% of sales).

Development of key cost items
(in € million)

	2011	2012	2013	2014	2015
Cost of sales	1,375.7	1,574.7	1,742.8	2,034.5	2,437.2
Cost of sales ratio	65.7%	65.7%	65.6%	66.4%	65.6%
Gross margin	34.3%	34.3%	34.4%	33.6%	34.4%
Selling expenses	356.8	461.7	481.4	481.3	557.2
Selling expenses ratio	17.0%	19.3%	18.1%	15.7%	15.0%
Administrative expenses	102.8	112.1	120.4	136.9	182.2
Administrative expenses	4.9%	4.7%	4.5%	4.5%	4.9%

The Group's key earnings figures were influenced by various (net) positive special items in fiscal 2014 from the Versatel acquisition and optimization of the investment portfolio (especially the contribution of the GFC and EFF investments to Rocket Internet). All in all, this one-off income at Group level increased EBITDA and EBIT by € 186.1 million, EBT by € 91.9 million, consolidated net income by € 89.2 million, and EPS by € 0.82. For further information about these special items in the previous year, please see the Annual Report 2014, page 60 ff.

The one-off effects for the Group in fiscal year 2014 can be summarized as follows:

One-off income from Versatel acquisition and optimization of investment portfolio[1], total, net	EBITDA effect	€ + 186.1 million
	EBIT effect	€ + 186.1 million
	EBT effect	€ + 91.9 million
	Net income effect	€ + 89.2 million
	EPS effect	€ + 0.82

[1] For further details, please see the Annual Report 2014, page 60 ff.

Despite easily surpassing forecasts for customer growth, with the related increase in customer acquisition costs, the original earnings forecasts were also achieved. This was helped in part by the proceeds from two sales affecting EBITDA: the one-off income of € 5.6 million from the sale of shares in Goldbach Group AG and an amount of € 8.4 million from selling part of the company's shareholding in virtual minds AG. These sales proceeds were used to offset the expenses for organic contract growth, which was 130,000 contracts higher (+930,000 contracts) than originally forecast (+ approx. 800,000 contracts).

EBITDA at Group level rose by 37.3% from € 551.5 million (comparable prior-year figure) to € 757.2 million. Including the above mentioned sales proceeds, the figure grew by 39.8% to € 771.2 million.

Including effects from sales proceeds, **EBIT** improved by 29.1%, from € 430.6 million to € 555.7 million (thereof € 17.2 million from the Versatel consolidation), and **EBT** rose by 29.6% from € 412.9 million to € 535.1 million. **Net income** was raised by 28.8% from € 284.7 million to € 366.6 million. **EPS** rose correspondingly by 23.3% from € 1.46 to € 1.80. Before amortization from purchase price allocations (PPA), which mainly relate to the Versatel acquisition, EPS grew by 28.9% from € 1.52 to € 1.96.

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

	2015	2014	Change
Sales	3,715.7	3,065.0	+ 21.2%
EBITDA	757.2 + 14.0[1] = 771.2	551.5[2]	+ 39.8%
EBIT	541.7 + 14.0[1] = 555.7	430.6[2]	+ 29.1%

(1) Effects from sale of Goldbach shares and part of stake in virtual minds
(2) 2014 without one-off income from Versatel acquisition and portfolio optimization (EBITDA and EBIT effect: € +186.1 million)

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

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q4 2014	Change
Sales	905.1	918.3	931.4	960.9	894.1	+ 7.5%
EBITDA	173.5	172.2 + 5.6[1] = 177.8	195.3 + 8.4[2] = 203.7	216.2	171.7[3]	+ 25.9%
EBIT	119.1	177.6 + 5.6[1] = 123.2	141.3 + 8.4[2] = 149.7	163.7	116.9[3]	+ 40.0%

(1) Effects from sale of Goldbach shares and part of stake in virtual minds
(2) 2014 without one-off income from Versatel acquisition and portfolio optimization (EBITDA and EBIT effect: € +186.1 million)
(3) Q4 2014 without one-off income from Versatel acquisition and portfolio optimization (EBITDA and EBIT effect: € +114.6 million)

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

	2011	2012	2013	2014	2015
Sales	2,094.1	2,396.6	2,655.7	3,065.0	3,715.7
EBITDA[1]	341.8	325.9	406.9	551.5	757.2
EBITDA margin	16.3%	13.6%	15.3%	18.0%	20.4%
EBIT[1]	253.0	232.7	312.2	430.6	541.7
EBIT margin	12.1%	9.7%	11.8%	14.0%	14.6%

(1) Without special items: 2011 without sale of Versatel shares (EBITDA and EBIT effect: € +23.0 million); 2012 without Sedo impairment charges (EBIT effect: € -46.3 million) and sale of freenet shares (EBITDA and EBIT effect: € +17.9 million); 2014 without one-off income from Versatel acquisition and portfolio optimization (EBITDA and EBIT effect: € +186.1 million); 2015 without effects from sale of Goldbach shares and part of stake in virtual minds (EBITDA and EBIT effect: € +14.0 million)

Group’s financial position

Thanks to the positive development of earnings, **operative cash flow** rose strongly from € 380.6 million in the previous year to € 554.5 million in fiscal year 2015.

There was also a strong increase in **net cash inflows from operating activities** to € 775.9 million (prior year: € 118.3 million). This was due in part to various tax effects in 2014 and 2015. In 2014, a capital gains tax payment of € 335.7 million in connection with corporate restructuring had a negative impact on net cash inflows from operating activities. However, the reimbursement of this capital gains tax payment in 2015 and – with an opposing effect – a further capital gains tax payment had a total positive effect on net cash inflows from operating activities of € 242.7 million (net). Without consideration of these opposing tax effects, net cash inflows from operating activities rose from € 454.0 million to € 533.2 million.

Net cash outflows from investing activities amounted to € 766.0 million in the reporting period (prior year: € 1,349.8 million). This resulted mainly from disbursements of € 140.4 million (prior year: € 72.3 million) for capital expenditures, payments for the acquisition of shares in affiliated companies of € 154.5 million (acquisition of home.pl), investments in other financial assets of € 93.9 million (especially for the increase in shares held in Rocket Internet during this company’s capital increase), and disbursements for the acquisition of shares in associated companies of € 417.8 million (especially for the stake in Drillisch). There was an opposing effect from payments received for the sale of associated companies amounting to € 13.3 million (from part of the shareholding in virtual minds), and proceeds from the sale of financial assets totaling € 18.2 million (especially from the sale of shares in Goldbach). Apart from capital expenditures, net cash outflows from investing activities in the previous year were dominated by disbursements for the acquisition of shares in affiliated companies of € 942.2 million (Versatel acquisition), payments for the acquisition of shares in associated companies of € 23.1 million (investment in ePages and uberall as well as investments via Global Founders Capital No. 1), and investments in other financial assets of € 334.7 million (especially for the investment in Rocket Internet).

Free cash flow (i.e. net cash inflows from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment) rose from € 50.9 million to € 643.2 million due to the capital gains tax payment in the previous year and a capital gains tax refund (net) in fiscal year 2015. Adjusted for capital gains tax, free cash flow increased from € 386.6 million to € 400.5 million in fiscal year 2015.

Net cash flow for financing activities in fiscal year 2015 was dominated by the net assumption of loans amounting to € 161.4 million and – with an opposing effect – the redemption of finance lease liabilities of € 15.7 million, and the dividend payment of € 122.3 million. Net cash flow for financing activities in the previous year was dominated in particular by net proceeds from the capital increase in September 2014 amounting to € 348.3 million, the net assumption of loans totaling € 1,034.0 million, and – with an opposing effect – the purchase of treasury shares amounting to € 38.8 million, the redemption of finance lease liabilities of € 3.9 million, the dividend payment of € 77.3 million, and the purchase of further shares in affiliated companies (Sedo Holding, united-domains) amounting to € 20.0 million.

Cash and cash equivalents amounted to € 84.3 million as of December 31, 2015 – compared to € 50.8 million on the same date last year.

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

	2011	2012	2013	2014	2015
Operative cash flow	211.9	214.1	280.1	380.6	554.5
Cash flow from operating activities	194.8	260.5	268.3	454.0[1]	533.2[1]
Cash flow from investing activities	2.0	1.9	-207.8	-1.349.8	766.0
Free cash flow[2]	142.3	204.7	211.6	386.6[1]	400.5[1]
Cash flow from financing activities	-228.0	-284.4	-59.2	1.240.9	23.1
Cash and cash equivalents on December 31	64.9	42.8	42.8	50.8	84.3

(1) Without consideration of capital gains tax payment due to closing-date effects of € 335.7 million (2014) and a capital gains tax refund (net) of € 242.7 million (2015)
(2) Free cash flow is defined as net cash inflows from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment

Group's asset position

The Group's **balance sheet total** rose from € 3,673.4 million as of December 31, 2014 to € 3,877.6 million on December 31, 2015.

Current assets decreased from € 744.1 million as of December 31, 2014 to € 564.9 million on December 31, 2015. ***Cash and cash equivalents*** disclosed under current assets rose from € 50.8 million to € 84.3 million. Due to closing-date effects and the expansion of business, ***trade accounts receivable*** increased from € 193.1 million to € 218.1 million. The same applies to ***current prepaid expenses***, which rose from € 66.6 million to € 82.6 million. ***Other non-financial assets*** decreased (due in particular to a capital gains tax refund in March 2015) from € 377.5 million to € 114.6 million and mainly comprise receivables from the tax office.

Non-current assets rose from € 2,929.3 million as of December 31, 2014 to € 3,312.7 million on December 31, 2015. Within the items ***property, plant and equipment and intangible assets***, additions of € 149.8 million (mainly for furniture and fixtures, as well as software), were opposed by depreciation and amortization of € 215.5 million. In both items, there were opposing effects from additions relating to the acquisition of home.pl. There was a rise in ***goodwill*** from € 977.0 million to € 1,137.8 million (especially due to the home.pl acquisition). ***Shares in associated companies*** rose strongly from € 34.9 million to € 468.4 million (due mainly to the investment in Drillisch). The non-current ***other financial assets*** fell from € 695.3 million to € 449.0 million – due to the sale of shares in Goldbach and subsequent valuation of listed shares in Rocket, Hi-Media and HiPay as of December 31, 2015. ***Prepaid expenses***, which mainly result from advance payments made in connection with long-term purchasing agreements, rose from € 37.1 million to € 102.4 million.

Current liabilities rose from € 887.6 million as of December 31, 2014 to € 969.0 million on December 31, 2015. Due to closing-date effects and the expansion of business, current ***trade accounts payable*** rose from € 356.1 million to € 395.9 million. Short-term ***bank liabilities*** were virtually unchanged at € 29.3 million (prior year: € 30.1 million). ***Income tax liabilities*** fell from € 139.2 million to € 129.6 million. As a result of business expansion, ***advance payments received*** and ***deferred revenue*** rose from € 11.8 million to € 15.1 million and from € 210.6 million to € 233.0 million, respectively. The increase in ***other financial liabilities*** from € 94.8 million to € 105.4 million is mainly due to closing-date effects and the expansion of business.

Non-current liabilities increased from € 1,581.1 million as of December 31, 2014 to € 1,758.9 million on December 31, 2015. ***Long-term bank liabilities*** rose only moderately from

€ 1,343.9 million to € 1,507.2 million (despite the increased shareholding in Rocket, the Drillisch investment, and the home.pl acquisition). ***Deferred tax liabilities*** increased from € 73.6 million to € 89.1 million.

Despite the successful development of business, the Group's **equity capital** fell from € 1,204.7 million as of December 31, 2014 to € 1,149.8 million on December 31, 2015 – mainly due to the revaluation accrual for United Internet's investments in listed companies (€ -96.0 million; prior year: € +216.7 million). There was a corresponding decline in the ***equity ratio*** from 32.8% to 29.7%. At the end of the reporting period on December 31, 2015, United Internet held 917,859 **treasury shares** (December 31, 2014: 1,232,338 treasury shares).

Despite the M&A activities mentioned above, net bank liabilities (i.e. the balance of bank liabilities and cash and cash equivalents) increased only moderately from € 1,323.2 million as of December 31, 2014 to € 1,452.2 million as of December 31, 2015.

Development of relative indebtedness

	2011	2012	2013	2014(1)	2015
Net bank liabilities(2) / EBITDA	1.26	0.75	0.73	1.79	1.88
Net bank liabilities(2) / free cash flow(3)	3.23	1.26	1.40	3.42	3.63

(1) 2014: increase in net bank liabilities mainly due to Versatel acquisition, Rocket investment and closing-date effects from capital gains tax payment
(2) Net bank liabilities = balance of bank liabilities and cash and cash equivalents
(3) Free cash flow = net cash inflows from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment; free cash flow 2014 and 2015 without consideration of closing-date effects from capital gains tax payment of € 335.7 million (2014) and a capital gains tax refund (net) of € 242.7 million (2015)

Further details on the objectives and methods of the Group's financial risk management are provided under point 41 of the notes to the consolidated financial statements.

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

	2011	2012	2013	2014	2015
Total assets	1,187.0	1,107.7	1,270.3	3,673.4	3,877.6
Cash and cash equivalents	64.9	42.8	42.8	50.8	84.3
Shares in associated companies	33.6	90.9(1)	115.3	34.9(1)	468.4(1)
Other financial assets	102.6	70.1	47.6	695.3(2)	449.0
Property, plant and equipment	110.9	109.2	116.2	689.3(3)	665.2
Intangible assets	187.4	151.8	165.1	385.5(3)	344.0
Goodwill	401.3	356.2(4)	452.8(4)	977.0(4)	1,137.8(4)
Liabilities due to banks	524.6	300.3(5)	340.0	1,374.0(5)	1,536.5(5)
Capital stock	215.0	215.0	194.0(6)	205.0(6)	205.0
Treasury stock	270.8	263.6	5.2(6)	35.3	26.3
Equity	154.8	198.1	307.9	1,204.7(7)	1,149.8
Equity ratio	13.0%	17.9%	24.2%	32.8%	29.7%

(1) Repurchase of Versatel shares via Versatel's holding company (2012); decrease due to contribution of the GFC and EFF funds to Rocket and complete takeover of Versatel (2014); increase due to investment in Drillisch (2015)

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

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

(4) Decrease due to impairment charges for Sedo Holding (2012); increase due to Arsys acquisition (2013); increase due to complete takeover of Versatel (2014); increase due to acquisition of home.pl

(5) Decrease due to repayment of loans (2012); increase due to Rocket investment and takeover of Versatel (2014); increase due to increased stake in Rocket, Drillisch investment, and acquisition of home.pl

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

(7) Increase due to capital increase (2014)

Management Board’s overall assessment of the Group’s business situation

The macroeconomic conditions in the main target countries of the United Internet Group varied strongly during the reporting period. Whereas the economies of our North American target countries (USA, Canada and Mexico), as well as the UK, lagged behind the IMF’s original forecast, the target countries of the eurozone (France, Spain, Italy) exceeded expectations. United Internet’s most important market, Germany, developed in line with expectations.

Despite differing economic trends in the target countries, United Internet enjoyed further dynamic growth in fiscal year 2015 with the addition of 1.19 million customer contracts to 15.97 million, revenue growth of 21.2% to € 3.716 billion and an increase in EBITDA of 39.8% to € 771.2 million (including sales proceeds from the sale of Goldbach shares and part of the stake in virtual minds). With the milestones in customer contracts, sales and earnings reached in fiscal year 2015, United Internet was able to meet its original forecasts and the upgraded guidance issued during the year and, in some cases, even easily surpass them. In particular, it should be noted these results were achieved despite much stronger customer growth than originally forecast and the associated higher expenses.

At the same time, the company once again invested heavily in the expansion of existing customer relationships, and in new business fields in order to pave the way for future growth. In addition to these foundations in its operating business, United Internet paved the way for additional opportunities with the takeover of home.pl and strategic investment in Drillisch.

This significantly better performance compared with the macroeconomic trend highlights the benefits of United Internet’s business model based predominantly on electronic subscriptions with fixed monthly payments and contractually fixed terms. This ensures stable and predictable revenues and cash flows, offers protection against cyclical influences and provides the financial scope to grasp opportunities in new business fields and new markets – organically or via acquisitions.

The financial position of United Internet AG remained strong in fiscal year 2015. At € 400.5 million, free cash flow was still at a high level (prior year: € 386.6 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.

The change in the Group’s asset position was due in particular to the acquisition of home.pl, the increase in shares held in Rocket, and the investment in Drillisch.

All in all, the Management Board believes that the United Internet Group is well placed for its further corporate development, with a positive financial position and performance – subject to possible special items – and is optimistic about its 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 dominated by its investment and financial result. As a result of the corporate restructuring commenced in the previous year and continued in the reporting period, the investment result and the company's earnings position are only comparable with the prior-year figures to a limited extent.

In the period under review, **sales** of United Internet AG amounted to € 1.4 million (prior year: € 6.3 million) and mostly comprised services rendered to the Group's subsidiaries. The year-on-year decline resulted mainly from the transfer of central services from United Internet AG to the subsidiary United Internet Corporate Services GmbH.

Personnel expenses in fiscal year 2015 rose to € 3.9 million (prior year: € 2.7 million). Adjusted for effects from employee stock ownership programs, personnel expenses in the reporting period amounted to € 1.8 million (prior year: € 1.6 million).

Other operating expenses mostly result from legal, auditing and consulting fees, as well as Supervisory Board compensation, and expenses from currency translation. In total, other operating expenses amounted to € 9.3 million (prior year: € 7.2 million).

Income from profit transfer agreements of € 80.4 million in the reporting period refers to 1&1 Mail & Media Applications SE (formerly United Internet Mail & Media SE) (€ 70.9 million), and United Internet Ventures AG (€ 9.5 million). In the previous year, income from profit transfer agreements with 1&1 Internet AG (€ 1,393.2 million), 1&1 Telecommunication AG (€ 118.6 million) and UI Ventures AG (€ 61.0 million) totaled € 1,572.8 million. The profit transfer of 1&1 Internet AG in the previous year included a special item from a preliminary dividend payout made by 1&1 Telecom Holding GmbH amounting to € 1,272.8 million. Following the implementation of various corporate restructuring measures in the reporting period, there is no longer a profit transfer agreement between United Internet AG and 1&1 Internet AG or its legal successor 1&1 Internet SE.

Expenses for loss assumptions of € 15.1 million (prior year: € 5.7 million) mainly comprise the compensation expense of United Internet Corporate Services GmbH (€ 6.1 million) and 1&1 Telecommunication SE (formerly 1&1 Telecommunication Holding SE) (€ 8.7 million).

The parent company's **result from ordinary activities** amounted to € 74.3 million (prior year: € 1,532.9 million).

Income taxes of € 23.0 million (prior year: € 53.4 million) include an amount of € 29.8 million for current taxes in 2015, of which € 15.1 million relates to corporate income tax and the solidarity surcharge and € 14.7 million to trade tax. There was an opposing effect from tax income relating to other periods of € 4.0 million and from the reversal of deferred tax liabilities of € 2.8 million.

The **net income** of the parent company amounted to € 51.3 million (prior year: € 1,479.6 million). Due in particular to investment income from a preliminary dividend payout made by 1&1 Telecom Holding GmbH in the previous year as part of the profit transfer of 1&1 Internet AG, the prior-year net income figure is not comparable with the reporting period.

Assets and financial position of United Internet AG

The parent company's **balance sheet total** fell from € 4,514.6 million on December 31, 2014 to € 4,225.3 million on December 31, 2015.

Non-current assets of United Internet AG totaling € 2,993.0 million (prior year: € 2,251.9 million) are dominated by **financial assets**. ***Shares in affiliated companies*** rose to € 1,558.3 million (prior year: € 1,214.5 million). The additions resulted mostly from the purchase of GMX & WEB.DE Mail & Media SE, Montabaur, which was acquired on April 1, 2015 from the subsidiary 1&1 Internet AG for a purchase price of € 1,040.6 million. The acquired company was subsequently merged with the existing subsidiary 1&1 Mail & Media Applications SE, Montabaur. In the reporting period, 1&1 Internet SE, Montabaur, was also purchased for an amount of € 0.1 million, into which both 1&1 Internet AG and 1&1 Internet Service Holding GmbH, both domiciled in Montabaur, were merged in the reporting period. A distribution from the balance sheet profit of 1&1 Internet SE, Montabaur, amounting to € 697 million – disclosed in the commercial balance sheet as a capital repayment – had an opposing effect on the item "Shares in affiliated companies". ***Loans to affiliated companies*** increased to € 1,434.6 million (prior year: € 1,037.3 million). This was mainly due to an internal assignment agreement concerning a loan of € 937 million, of which around € 540 million was already redeemed in fiscal year 2015.

Current assets of United Internet AG amounting to € 1,232.3 million (prior year: € 2,262.7 million) mainly comprise **receivables and other assets**, whereby the ***receivables due from affiliated companies*** fell to € 1,134.4 million (prior year: € 1,886.1 million). These resulted mostly from receivables within the United Internet Group's cash pooling system, receivables from the profit transfer agreement with United Internet Ventures AG, Montabaur, and receivables from service arrangements with 1&1 Telecommunication SE (formerly 1&1 Telecommunication Holding SE), Montabaur. ***Other assets*** disclosed under current assets amounting to € 89.9 million (prior year: € 366.7 million) consist mainly of receivables due from the tax office.

The **shareholders' equity** of United Internet AG totaling € 2,527.5 million (prior year: € 2,584.9 million) is dominated by the fall in the **balance sheet profit** to € 1,351.9 million (prior year: € 1,422.8 million). This balance sheet profit includes a profit carryforward from the previous year of € 1,422.8 million which was reduced to € 1,300.5 million as a result of the dividend payout in fiscal year 2015. As a result of the reduced balance sheet total, the **equity ratio** rose from 57.3% in the previous year to 59.8% as of December 31, 2015.

The **accruals** of United Internet AG mainly comprise ***accrued taxes***, mostly for previous years, amounting to € 7.0 million (prior year: € 33.9 million) as well as ***other accrued liabilities*** for employee stock ownership plans, legal, auditing and consulting fees, as well as bonuses and commissions totaling € 18.5 million (prior year: € 23.7 million).

The **liabilities** of United Internet AG are marked in particular by liabilities to banks and liabilities to affiliated companies. In fiscal 2015, ***liabilities to banks*** rose only slightly to € 1,409.2 million (prior year: € 1,382.6 million) – despite the dividend payment, participation in the capital increase of Rocket Internet SE, and investment in Drillisch AG. Bank liabilities result from a syndicated loan totaling € 750 million concluded in August 2014, a promissory note loan of € 600 million concluded in November 2014, and a revolving syndicated loan of € 810 million (prior year: € 600 million), which had been utilized in an amount of € 30 million as of the reporting date. In addition, a current account facility was used in the amount of € 28.0 million. ***Liabilities to affiliated companies*** fell to € 242.3 million (prior year: € 466.5 million) and mainly comprise liabilities from balances within the United Internet Group's cash pooling system (€ 203.0 million), from service arrangements (€ 11.7 million), from profit transfer agreements (€ 15.1 million), and from a long-term loan with a Group company (€ 12.5 million).

Cash flow of the parent company's financial statements is dominated by cash flows from the profit transfer agreements and the assumption of additional financial liabilities. The dividend payment in fiscal year 2015 disclosed under financial activities had the opposing effect. Further details are provided in the notes to the separate financial statements for the parent company.

Management Board's overall assessment of the current business situation of United Internet AG

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 result. The key drivers were the profit transfer agreements with 1&1 Mail & Media Applications SE and United Internet Ventures AG. 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 are summarized in the following sections.

Sustainable business policy

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

Customer growth

In its fiscal year 2015, United Internet once again invested heavily in customer growth and added 0.93 million customer contracts. Including the contracts from the acquisition of home.pl (+340,000) and the opposing effect of the one-off streamlining of Business Applications contracts described in segment reporting (-80,000), the number of customer contracts rose by 1.19 million to 15.97 million contracts in fiscal year 2015.

In addition to these fee-based contracts, United Internet also operates 33.15 million active free accounts (prior year: 32.12 million) at its data centers that are refinanced via advertising revenue.

In total, therefore, United Internet manages a total of 49.12 million customer accounts (prior year: 46.90 million) globally.

Development of customer relationships
(in million)

	2011[1]	2012	2013[2]	2014[3]	2015[4]
Growth of “fee-based contracts”	+ 0.91	+ 1.18	+ 1.41	+ 1.33	+ 1.19
Growth of “free accounts”	+ 2.80	+ 1.00	- 0.05	+ 0.61	+ 1.03
Growth of “total accounts”	+ 3.71	+ 2.18	+ 1.36	+ 1.94	+ 2.22

(1) Including 1.50 million free accounts from the takeover of mail.com
(2) Including 0.33 million fee-based contracts from the takeover of Arsys
(3) Including 0.42 million fee-based contracts from the takeover of Versatel
(4) Including 0.34 million fee-based contracts from the takeover of home.pl and an opposing 0.08 million from contract streamlining

Service quality, customer retention and customer satisfaction

United Internet has also invested heavily in service quality, and thus in customer retention and customer satisfaction, since the launch of the DSL quality drive in 2009 and the introduction of the 1&1 Principle in 2012 with its international rollout in 2013.

With the 1&1 Principle, the United Internet brand 1&1 gives customers five clear product-related performance promises. These include, for example, a one-month test phase and highly available expert hotline, as well as – in the case of DSL and mobile products –

overnight delivery of hardware and on-site, next-day replacement of faulty equipment, or – for cloud products – a monthly product upgrade or downgrade and geo-redundancy for maximum data security.

The various test wins of our recent history are proof that these measures are having an impact.

For example, the 1&1 brand came top in a service hotline test of the computer magazine CHIP in September 2015 – in both the "Mobile Provider" and "Landline & Internet" categories. CHIP had tested the customer service hotlines of major providers in a total of twelve sectors.

In the "Mobile Provider" category, 1&1 fared particularly well in the field of hotline availability (98 out of 100 points), waiting time (94 out of 100 points) and service (93 out of 100 points). The overall score was 93.8 out of 100 points.

1&1 also won in the "Landline & DSL" category with a "Top Class" rating in three out of four test categories. Hotline availability scored 94 out of 100 points, service 91 out of 100 points and waiting time even scored a maximum 100 points. The overall score was 94.5 out of 100 points.

Product and network quality

In addition to service quality, United Internet has also invested heavily in the quality of its networks and products in recent years. The success of these investments is also documented by the test victory of the 1&1 brand in the prestigious landline network test of Europe's largest specialist magazine for telecommunication "connect" (August 2015). 1&1 was the only provider to score "very good" in this test with excellent ratings in all sub-categories of the test. During the test, "connect" examined the categories "voice", "internet", "web services" and "web TV" using test connections of six nationwide and three regional providers.

For the first time in the landline network test, "connect" also examined the performance of so-called "web TV" services. In addition to video-on-demand providers, this also includes video platforms like YouTube. As well as assessing the picture and sound quality, the testers also examined waiting times for buffering data before the videos started. Once again, 1&1 came out top: videos started fastest via the test connections of 1&1.

The landline test was conducted by the zafaco GmbH on behalf of the magazine "connect". For this purpose, approximately 1.7 million measurements were carried out on the test connections of all providers over a four-week period. The test connections automatically initiated voice and data transmissions.

Security and data privacy

With the launch of the "E-Mail made in Germany" initiative in 2013 (in cooperation with a network comprising also Deutsche Telekom and freenet), United Internet also offers its customers high standards with regard to the security and privacy of their 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 29, 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", the United Internet e-mail services 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.

The new approach solves the three main problems which users previously faced when using end-to-end encryption and which prevented its spread: PGP set-up, key exchange, and assistance if the key is lost.

WEB.DE and GMX have introduced a set-up assistant which guides users through just a few steps until the first encrypted mail can be sent. After installing the browser plug-in, the private and public key required for PGP is automatically generated and clearly assigned to the user. E-mails to a particular recipient are encrypted with this person’s public key and can then only be decrypted by that person using a secret private key.

With their internal public key directory, WEB.DE and GMX offer a solution for a previously unresolved PGP problem: how can the public keys of other users be securely accessed, and how can it be ensured that they are the right ones? All public keys generated by the browser plug-in are stored in a directory administered by WEB.DE and GMX. With the aid of a signature, WEB.DE and GMX ensure that the keys in this directory match the respective accounts in the directory. Only the user knows the corresponding private keys.

By simply transferring keys between devices, users can also quickly load their private key on a smartphone so that in the case of loss it can be restored via one of the devices.

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 United Internet AG 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 2015. 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 IT 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.

As a result of the ongoing expansion of business, there was a further increase in headcount in the fiscal year 2015. Specifically, the number of employees rose by 5.2% or 407 people to 8,239 (prior year: 7,832). The takeover of home.pl contributed 262 employees to this increase.

There were 3,142 employees in the Access segment (prior year: 2,965), 4,945 in the Applications segment (prior year: 4,829) and 152 employed at the Group's headquarters (prior year: 38). The strong increase in staff at the Group's headquarters resulted from the transfer of employees from the segments who already worked in corporate functions.

Headcount in Germany rose by 5.4% to 6,502 as of December 31, 2015. The number of employees at the Group's non-German subsidiaries increased by 4.4% to 1,737 (prior year: 1,664).

Headcount development (by segment and domestic/foreign)

	2011	2012	2013[1]	2014	2015	Change over 2014
Employees, total	5,593	6,254	6,723	7,832	8,239	+ 5.2%
thereof domestic	4,375	4,904	5,080	6,168	6,502	+ 5.4%
thereof foreign	1,218	1,350	1,643	1,664	1,737	+ 4.4%
Access segment	1,794	1,928	2,025	2,965	3,142	+ 6.0%
Applications segment	3,771	4,292	4,664	4,829	4,945	+ 2.4%
Corporate	28	34	34	38	152	

(1) The headcount statistics of United Internet AG were revised as of June 30, 2014 and now disclose only active employees. The comparative figures as of December 31, 2013 were adapted retroactively.

Personnel expenses rose to € 429.7 million in fiscal 2015 (prior year: € 351.7 million). The personnel expense ratio was virtually unchanged from the previous year at 11.6% (prior year: 11.5%).

Development of personnel expenses
(in € million)

	2011	2012	2013	2014	2015	Change over 2014
Personnel expenses	230.1	275.1	306.1	351.7	429.7	+ 22.2%
Personnel expense ratio	11.0%	11.5%	11.5%	11.5%	11.6%	

Sales per employee, based on annual average headcount, amounted to approx. € 461 thousand in fiscal year 2015 (prior year: approx. € 421 thousand).

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 specific functions with the individual career objectives and prospects of staff.

The company attaches great importance to giving 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. 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 or Master+ plans, 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+ for staff and 1&1 MOVE for management and experts).

Specialist training by colleagues for colleagues

A particular initiative being driven in cooperation between Personnel Development and colleagues from the various departments is the TEC campus, which is now in its second, highly successful year. TEC Campus is the platform for the professional development of colleagues in the field of "Technology and Development". The aim is to broaden and network staff know-how and quickly identify new technologies by sharing internal expertise and providing targeted, needs-oriented training.

Thanks in part to the measures described above, the United Internet Group was able to recruit over 69% of managers from within its own ranks in fiscal year 2015.

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 Applied Computer Sciences, Information Management, Business Administration / Accounting and Business Administration / Services Marketing at the universities of Karlsruhe 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. 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.

Over 150 young people were serving their apprenticeships with Group companies at year-end 2015. 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 2015, 25 apprentices were given full-time jobs.

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 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 and religion – 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.

Employees by gender

	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2015
Women	35%	33%	34%
Men	65%	67%	66%

The average age of the United Internet Group’s employees at the end of fiscal year 2015 was around 35.4 (prior year: 33.8).

Employee age profile

	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2015
under 30	30%	32%	27%
30 – 39	46%	43%	40%
40 – 49	20%	20%	25%
over 50	4%	5%	8%

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

Employees by country

	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2015
Employees, total	6,723	7,832	8,239
thereof Germany	5,080	6,168	6,502
thereof France	23	46	25
thereof UK	208	227	234
thereof Philippines	468	450	390
thereof Poland	6	6	263
thereof Romania	288	264	229
thereof Spain	329	341	339
thereof USA	303	300	239
thereof Other	18	30	18

Green IT

In the wake of the global climate debate and rising energy costs, the term “Green IT” is being used increasingly 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.

United Internet has been using electricity from renewable energy sources at its data centers in Germany since December 2007. The servers at our German data centers in Karlsruhe and Baden Airpark, for example, are powered 100% by electricity from Norwegian and French hydroelectric power plants supplied by Stadtwerke Karlsruhe. The servers at our data centers in the USA were also converted to climate-neutral electricity in 2008. And the two data centers in Spain which we took over on acquisition of the Spanish competitor Arsys in 2013 also use power from regenerative sources.

The main elements of our energy-saving efforts at data centers in Germany are:

- An intelligent cooling system. The warm cooling water is first led through open-air coolers on the roof of the data center that do not require energy-hungry compressors and use the “natural” outdoor temperature for cooling.
- The server hardware. A proportion of our computers 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 webhosting operating system used by United Internet is our own 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.

Social responsibility

“United Internet for UNICEF” foundation

“United Internet for UNICEF” was set up in September 2006 as an independent foundation under German civil law. The foundation primarily supports projects of UNICEF, the United Nation’s Children’s Fund.

We carefully select projects from the wide range of UNICEF topics and present them 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 long-term UNICEF sponsors.

A major topic in 2015 was the emergency aid required after the catastrophic earthquake in Nepal in early 2015. The earthquake hit a country that is among the poorest in the world. An additional 900,000 or so people were living below the poverty line after the earthquake. The quake is considered the deadliest disaster in the history of Nepal. Almost 9,000 people died as a result of the earthquake and around 22,300 were injured. In addition, more than 4,500 schools, 700 health facilities and 600,000 houses were destroyed or damaged.

The fast emergency aid of “United Internet for UNICEF” after the earthquake in Nepal once again demonstrated that “United Internet for UNICEF” can collect millions in donations faster than most foundations, as the newsletters of the United Internet portals can reach more than 30 million people within 24 hours. As a result, around € 1.3 million was quickly collected and handed over to UNICEF. This enabled UNICEF’s local volunteers to provide 220,000 people with clean drinking water and vaccinate 2,400 children, for example.

“United Internet for UNICEF” also provided rapid help in November 2013 as the devastating typhoon “Haiyan” swept over the Philippine Islands. As much as € 6 million was quickly collected in donations and forwarded to UNICEF.

In addition to emergency relief for earthquake victims in Nepal, children in conflict areas were a major topic in 2015. Fundraising activities focused on attracting new and long-term UNICEF sponsors.

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 our own 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, a further € 3.7 million could be handed over to UNICEF in the fiscal year 2015 (prior year: € 2.4 million).

Since its creation, the foundation has so far collected € 32.2 million in donations and enlisted the support of around 11,400 active and long-term UNICEF sponsors via the 1&1, GMX and WEB.DE portals as of December 31, 2015 (prior year: 9,800).

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

"1&1 Welcome" and "We Together" initiative

In addition to the "United Internet for UNICEF" foundation, the United Internet Group is active 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.

Since November 2015, many United Internet employees have been working as volunteers in local projects as part of the "1&1 Welcome" campaign. United Internet AG acts as a sponsor for selected integration offerings and refugee homes at its major German locations Karlsruhe, Montabaur, Munich and Zweibrücken. Together with local organizers, our employees offer regular activities to facilitate the transition into the everyday German life. These include sports activities, playing music together, day trips and childcare. United Internet employees can use up to ten percent of their working time for such project activities. In addition, United Internet provides funds to enable the purchase of items needed quickly in refugee homes.

Apart from these local projects, United Internet will also be participating in the "We Together" integration initiative launched on February 10, 2016 together with 35 other well-known companies by providing training programs and free internet access.

In April 2016, United Internet plans to launch a training program to prepare refugees for the German labor market. A modular course is currently being developed which will give the participants a general overview of office work, the cultural environment, and possible careers in the IT industry. Graduates of this program will then also be offered internships or entry-level jobs. Armed with the knowledge from this training program, graduates should be able to successfully apply for jobs at German companies – whether at United Internet or other employers.

In a third project, United Internet will support training measures at refugee homes and provide mobile classrooms with free internet access to enable e-learning programs for language acquisition.

3 SUBSEQUENT EVENTS

United Internet becomes largest shareholder of Tele Columbus AG

Via its subsidiary United Internet Ventures AG, United Internet AG contractually secured the acquisition of a share package amounting to approx. 15.31% of shares in Tele Columbus AG, Berlin, Germany, on February 10, 2016. At the time, the closing of the acquisition was subject to approval by the German anti-trust authority (“Bundeskartellamt”). This approval was granted on March 7, 2016.

After closing the acquisition, United Internet AG has a total indirect shareholding – together with further shares acquired – of 25.11% in Tele Columbus.

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

United Internet AG does not, however, currently intend to acquire an equity stake of 30% or more in Tele Columbus AG – which would oblige it to submit a mandatory bid to all other shareholders of Tele Columbus AG – nor to make a voluntary takeover bid.

Share price of Rocket Internet SE

The share price of the listed United Internet investment Rocket Internet SE continues to be highly volatile after the balance sheet date of December 31, 2015. At the time of preparing these consolidated financial statements, the share price stood at € 24.75 (closing price on March 11, 2016). If the share price does not improve by the end of the first quarter of 2016, the Group’s current accounting and measurement principles require the recognition of an impairment charge in the first quarter of 2016. Valued at the prevailing share price on the date of preparing these consolidated financial statements (March 11, 2016) the potential (non-cash effective) impairment charge would amount to approx. € 154.8 million. Please see section 3 of the notes to the consolidated financial statements.

Apart from these items, there were no other significant events subsequent to the end of the reporting period on December 31, 2015 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 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 manual which is valid for all members of the Group. These requirements are regularly adapted to changing legal conditions and continually developed. The Corporate Risk Management department 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 of United Internet AG.

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. 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. In order to support the centralized risk management system, additional local risk managers have been installed with monthly reporting in business fields of particular importance for the Group's business success (such as the areas "Technology &

Development”). In order to facilitate the group-wide exchange and comparison of risk information, these local risk managers meet with the Group’s central risk management team and – for cross-company issues – with the company-wide, cross-functional managers at regular Risk Manager Meetings. The risk management system established by United Internet AG only documents recognized risks. 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

Of the total risks identified for the Group, the following sections describe the main risk categories and individual risks from the company’s point of view. Assessments which the company’s Management Board makes regarding the likelihood of occurrence and the potential impact of the risks described below are provided at the end of this Risk Report.

Strategy

United Internet AG continues to seek increasingly international growth in European and non-European markets. As a result, the company faces a growing number of new challenges associated with different cultural backgrounds, different legal requirements, and the ethical and social expectations of customers and international staff with regard to the parent company. For both internal processes, such as the implementation of cross-company and international projects, and customer communications, business success also depends on the precise knowledge and consideration of country-specific characteristics of the parties involved. The company takes this into account by enhancing the cross-cultural skills and awareness of its employees and managers.

Market

Competition

There is intense competition in both the Access and Application segments which may increase further, for example, via the market entry of new competitors. This would have a negative impact on growth and/or achievable margins.

In the course of diversifying its business model, United Internet occasionally enters new, additional markets with major competitors. Such entrepreneurial decisions for new products and business fields generally involve new risks which may result, for example, from the pricing of products, changes in the business strategies of pre-service providers, or from fraudulent use. United Internet attempts to minimize these risks with the aid of detailed planning based on past experience and external market studies, and by using various partners/suppliers and continually expanding its anti-fraud measures.

Business development and innovations

A key success factor for United Internet is the development of new and constantly improved products and services in order to constantly raise the number of our customer contracts and strengthen customer retention. There is always a risk, however, that new developments might be launched too late on the market or not accepted by the target group. United Internet counters such risks by closely observing market trends and the competition as well as by undertaking product development which constantly responds to customer feedback.

Legal & political

Regulation

In the Access segment, the decisions of the German Federal Network Agency and Federal Cartel Office have an influence on 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 on October 1, 2014, United Internet now also has its own network. This network infrastructure gives United Internet the possibility to gradually expand its vertical integration procure fewer internally produced DSL pre-services.

Despite a falling tendency, there is still a risk that new data protection regulations in the EU and Germany may restrict the evaluation of so-called browser cookies. Such browser cookies enable information to be stored on the client's computer, which is then transmitted to the server if the site is accessed again. Evaluation or accessing of information via such browser cookies is an integral part of online advertising. Any restriction of usage may mean that proprietary technical solutions can only be used under certain conditions. This may impede certain aspects of business in the Applications segment.

Data protection

United Internet stores the data of its customers on servers at its own and 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 protection. At the same time, however, the possibility can never be excluded that data protection regulations are contravened due to human error or technical weaknesses. By using state-of-the-art technologies, continually monitoring all data-protection 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, the company continually invests in improving the standard of its data security.

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.

Personnel

If United Internet does not effectively manage the manpower resources of its national and international facilities, the company may not be able to run its business efficiently and successfully. 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.

The company specifically counters this risk with a number of measures. These include succession and manpower planning, outsourcing and temporary use of external resources.

Highly skilled employees form the basis for the economic success of United Internet. The competition for skilled and specialist technical and management personnel is intense, however. If we are not capable of attracting, developing and retaining managers and staff with specialist professional and technological knowledge, United Internet will not be able to effectively pursue its business and achieve its growth targets.

Despite these risks, the company regards itself as an attractive employer and is well placed to hire highly skilled specialists and managers with the potential to drive its business success in the future. The company also counters this risk by developing the skills of its staff and managers. Development activities, mentoring and coaching programs are offered, as well as special programs for high potentials, which are geared to the ongoing development of talent and especially leadership skills.

Further details on our human resources are provided under point 2.5 of this Management Report “Significant non-financial performance indicators” under “Employees”.

Fraud

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 internet fraudsters. For example, United Internet may suffer damage from automated hosting and domain orders made under false names and not paid for.

The fraudulent use of SIM cards may also incur damage for United Internet 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 a very 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.

Provision of services

Threat potential of the internet

United Internet AG generates its commercial success largely 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. For example, there is a risk of DDoS attacks (DDoS = Distributed Denial of Service), which may lead to an overloading of technical systems and server downtime. In order to deal with such risks more quickly, the existing monitoring and alarm system, together with the necessary processes and documentation, is continually optimized.

There is also the risk of hacker attacks with the aim of stealing or deleting customer data or using services fraudulently. United Internet counters this risk with the aid of virus scanners, firewalling concepts, self-initiated tests and various technical monitoring mechanisms.

Over the past years there has been a steady increase in the amount of spam e-mails on the internet. There is a risk that spammer abuse the company’s e-mail systems and that these are then blocked by other e-mail providers. In order to counter this risk, various precautions are taken to keep spam to a minimum. United Internet’s active participation in cross-border working groups also enables it to play a role in the ongoing development of mail security standards.

The threat potential of the internet represents the largest threat group 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 a security management system and the steady enhancement of system resilience.

Complexity and possible manipulation of hardware and software used

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.

Complexity in development

The growing demands placed on the development of the overall portfolio by the ever-increasing complexity and interoperability of the products offered necessitate a higher degree of coordination for the internal work processes of United Internet. The particular challenge is to ensure quality standards especially in view of fast-changing market events which require the maintenance of a usually high-performance and robust development component.

A further aspect in this context is the preservation and expansion of core skills within the company for the development of the product portfolio. In the case of time-critical projects, for example, the use of highly specialized service providers may lead to additional expenses and negative consequences – such as the delay of planned campaigns, or similar security vulnerabilities etc. – if these were temporarily unavailable.

The company minimizes these risks by continuously developing and enhancing its internal processes, pooling and retaining its experts and key personnel, and continuously improving the organizational structures of the development components. When selecting and controlling strategic outsourcing partners, care is taken to ensure that their reliability and expertise is proven in accordance with international criteria and no partnerships are formed for critical business areas which could not be maintained without delay by skilled staff within the company.

Additional disclosures on risks, financial instruments and financial risk management

The main financial liabilities incurred by the parent company 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. The company is hereby exposed to certain risks with regard to its assets, liabilities and planned transactions, especially liquidity risks and financial market risks, as described below.

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 continually cover its financial needs and secure flexibility, for example by using overdraft facilities and loans.

Our group-wide cash requirements and surpluses are managed centrally by our cash management system. By netting these cash requirements and surpluses within the Group, we can minimize the amount of external bank transactions. Netting is managed via our cash pooling process. 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. These liquidity reserves consist of syndicated credit lines with varying terms.

The strong expansion of business over the past few years has increased the company's exposure to possible credit default. Despite the increased possibility of occurrence (due to customer growth), the effects on United Internet's liquidity are classified as very low. The company still has no significant concentration of liquidity risks.

Financial Covenants

The company's existing credit lines are tied to so-called financial covenants. An infringement of these covenants may cause the lender to terminate the financial arrangement and demand immediate repayment of the amounts drawn. The covenants contained in the loan agreements of United Internet require the company to maintain a specified net financial debt-to-EBITDA ratio and a specified EBITDA-to-interest ratio. These ratios are used to calculate the relative burden which the financial liabilities (e.g. from interest payments) place on the company. In view of the far superior ratios of United Internet at present, the probability of infringement is regarded as low. Compliance with the covenants is regularly monitored by the company's Management Board.

Financial market

The activities of United Internet AG are exposed in particular to financial risks from changes in interest rates, exchange rates and stock exchange prices.

- Interest

  The company is fundamentally 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. As revenues and expenses are mostly generated or incurred in the eurozone, there were no material foreign exchange risks with an impact on cash flow in the reporting period.

- Stock exchange prices (valuation risk)

  A stock exchange risk mainly results from investments in listed companies. These investments are carried at cost in the separate financial statements of the parent company and at fair value in the consolidated financial statements. Should the (proportional) stock exchange value of an investment permanently lie below its acquisition cost, the company recognizes an impairment of the financial instrument in the income statement of its separate financial statements. Changes in fair value assessments are recognized in the income statement of the consolidated financial statements if there is any impairment due to a significant or persistent decline in the fair value. Further details are provided in the Subsequent Events section, as well as in the notes to the consolidated financial statements in section 2 “Accounting and valuation principles” and section 3 “Significant accounting judgments, estimates and assumptions”.

Capital management

In addition to the legal provisions for stock corporations, the company has no further obligations to maintain capital according to its statutes or other agreements. The key financial indicators used by the company are mainly performance-oriented (sales, EBITDA, EBIT, EPS). The targets, methods and processes of capital management are thus subordinate to these performance-oriented financial indicators.

In order to maintain and adapt its capital structure, the company can adjust dividend payments or pay capital back to its shareholders, purchase treasury shares and where necessary place them again or issue new shares. As of December 31, 2015 and December 31, 2014, no changes were made to the company’s targets, methods and processes.

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 challenges focus on the areas of “Potential threats via the internet”, “Complexity and possible manipulation of the hardware and software used”, “Political and legal risks”, as well as risks from the areas “Market” and “Fraud”.

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.

There were no risks which directly jeopardized the continued existence of the United Internet Group in the fiscal year 2015 nor at the time of preparing this Management Report, neither from individual risk positions nor from the overall risk situation.

Probability of occurrence / possible impact of company risks

	Probability of occurrence	Possible impact
Risks in the field of strategy		
Internationalization	Low (2014: Low)	High (2014: High)
Risks in the field of market		
Competition	Low (2014: Low)	High (2014: High)
Business development and innovations	Low (2014: Low)	High (2014: High)
Risks in the field of law & politics		
Regulation	High (2014: High)	High (2014: High)
Data protection	Very low (2014: Very low)	High (2014: High)
Litigation(1)	High (2014: n/a)	High (2014: n/a)
Risks in the field of personnel		
Employees	Low (2014: Low)	High (2014: Low)
Risks in the field of fraud		
Fraud	Low (2014: Low)	Low (2014: Low)
Risks in the field of service provision		
Threat potential of the internet	Low (2014: Low)	Very high (2014: Very high)
Complexity/possible manipulation of hardware and software	Low (2014: Low)	High (2014: High)
Complexity in development	Low (2014: Low)	High (2014: High)
Risks in the field of financial instruments and financial risk management		
Liquidity	Low (2014: Low)	Very low (2014: Very low)
Financial covenants	Very low (2014: Very low)	Very low (2014: Very low)
Financial market	Very high (2014: Low)	Very high (2014: High)
Capital management	Very low (2014: Very low)	Very low (2014: Very low)

(1) Previously included under Regulation

Assessment categories of company risks in ascending order

Probability of occurrence	Possible impact
Very low	Very low
Low	Low
High	High
Very high	Very high
	Extremely high

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 Divisional Managers and Managing Directors, have the direct responsibility for the early and continual 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 continually 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 Applications segment as well as in combination with fixed-line and mobile access products in our 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, WEB.DE, united-domains, InterNetX and Fasthosts, 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, such as De-Mail, 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. With a market share of some 50% of all German e-mail users, the company is excellently placed to participate in the digital, legally secure post business (especially from "postal charges" and "ad mailings").

Own infrastructure

With the complete takeover of Versatel on October 1, 2014, United Internet now also has its own network. With a length of over 40,000 km, it is Germany's second-largest fiber-optic network. With its own network infrastructure, United Internet has the opportunity to gradually extend its vertical integration and also reduce its purchases of DSL pre-services.

In addition, having its own network also offers United Internet the opportunity to use the Versatel brand to enter the 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 figures: +19.5% data volume consumption per broadband connection and month in 2015) and the considerable pent-up demand for direct fiber-optic connections in Germany. According to the latest OECD survey (December 2014), only 1.2% of all broadband connections in Germany are fiber-optic connections. Germany thus lags well behind in 29th place among the 34 OECD countries.

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 and Poland), 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 DSL business (2009) and the acquisitions of mail.com (2010), Arsys (2013), Versatel (2014) and home.pl (2015). The most important strategic investments include the investments in virtual minds (2008), ProfitBricks (2010), Open-Xchange (2013), ePages (2014), uberall (2014), Rocket Internet (2014) and Drillisch (2015).

4.3 FORECAST REPORT

Expectations for the economy

In its global economic outlook published in January 2016, the International Monetary Fund (IMF) updated its forecasts for the development of the global economies in 2016 and 2017.

It predicts that the global economy will grow more slowly in 2016 and 2017 than previously expected. The IMF states a number of risks as the reason for this trend:

- Slower economic growth in the emerging and developing countries
- Decline in commodity prices
- Growing unemployment around the world
- Change in interest rate policy in the USA coupled with a strong dollar
- Possible escalation of existing geopolitical tension

Specifically, the IMF predicts that the **global economy** will grow by 3.4% in 2016 and 3.6% in 2017 – following growth of 3.1% in 2015. This represents a downgrade of 0.2 percentage points for both years compared to the previous forecast (October 2015).

The latest IMF forecasts paint a more pessimistic picture for United Internet's target markets in North America (the USA, Canada and Mexico). The **US economy** is expected to grow by 2.6% in 2016 and 2017 – following growth of 2.5% in 2015. The IMF has thus downgraded its previous forecasts by 0.2 percentage points for each year. Following growth of 1.2% in 2015, the **Canadian economy** is expected to grow by 1.7% and 2.1% in 2016 and 2017, respectively (and thus 0.0 and 0.3 percentage points less than previously forecast). The economy in **Mexico** is expected to grow by 2.6% in 2016 and 2.9% in 2017, following growth of 2.5% in 2015. For both years, this is 0.2 percentage points less than previously forecast.

The IMF anticipates growth in the **eurozone** to reach 1.7% in both 2016 and 2017 – compared to 1.5% in 2015. The IMF has thus upgraded its forecast for 2016 slightly by 0.1 percentage points and left 2017 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 1.1% in **France** in 2015, the IMF expects growth of just 1.3% in 2016 and 1.5% in 2017 (and thus 0.2 and 0.1 percentage points less than before). By contrast, **Spain** is expected to grow by 2.7% and 2.3% in 2016 and 2017, respectively (and thus 0.2 and 0.1 percentage points more than previously forecast), after recording growth of 3.2% in 2015. The economic trend in **Italy**, however, is likely to be largely as predicted: following growth of 0.8% in 2015, the IMF continues to forecast growth of 1.3% for 2016 and 1.2% for 2017. After growing by 2.2% in 2015, the IMF forecasts identical growth for the **UK** in 2016 and 2017 of 2.2%. This is also in line with previous forecasts.

For United Internet's most important market, **Germany**, the IMF expects economic growth of 1.7% in both 2016 and 2017 – following on from 1.5% in 2015. These forecasts are 0.1 and 0.2 percentage points more than previously expected.

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

	2017e	2016e	2015
World	3.6%	3.4%	3.1%
USA	2.6%	2.6%	2.5%
Canada	2.1%	1.7%	1.2%
Mexico	2.9%	2.6%	2.5%
Eurozone	1.7%	1.7%	1.5%
France	1.5%	1.3%	1.1%
Spain	2.3%	2.7%	3.2%
Italy	1.2%	1.3%	0.8%
UK	2.2%	2.2%	2.2%
Germany	1.7%	1.7%	1.5%

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

Market / sector expectations

At the beginning of fiscal year 2016, the mood amongst Germany's digital economy companies was predominantly optimistic. 74% of companies expect year-on-year revenue growth in the first half of 2016. Only 8% expect a decline in business. These are the findings of a semi-annual economic survey of German ICT companies conducted by the industry association Bitkom.

However, the confidence of most companies should not obscure the fact that there are major differences within the industry. For example, 81% of software providers and 80% of IT service providers expect increased revenues in the first half of 2016 and only 5% and 4% respectively expect a decline. By contrast, only 63% of communication technology manufacturers expect growth, while 22% expect a fall in business. The most skeptical are the providers of IT hardware: only 51% of them believe that sales will increase while 14% expect a decline.

All in all, the companies are also optimistic for the full year 2016: 81% of all ICT companies surveyed expect rising sales, while only 5% expect a decrease.

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

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

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

	2016e	2015	Change
Sales	8.03	7.92	+ 1.4%

Source: PricewaterhouseCoopers

Mobile internet market in Germany

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

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

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

	2016e	2015	Change
Sales	7.62	6.95	+ 9.6%

Source: PricewaterhouseCoopers

Cloud computing market

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

Market forecast: global cloud computing
(in $ billion)

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

Source: Gartner

Online advertising market in Germany

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

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

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

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

Source: PricewaterhouseCoopers

Expectations for the company

Focus areas in fiscal year 2016

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

In view of its product strategy based on flexibility, the specific service promises of the 1&1 Principle, innovative products and excellent value for money, United Internet believes it is very well positioned in its **Access segment**.

In the fiscal year 2016, contract and revenue growth for consumer products is likely to result once again from the marketing of Mobile Internet products and DSL connections. The main focus will be on the further expansion of V-DSL coverage, and the use of the new transmission technology “vectoring” (with speeds up to 100 Mbit/s).

In the field of Business solutions under the Versatel brand, the focus will lie on voice, data and network solutions for small and medium-sized companies, as well as infrastructure services for large corporations.

With its strong and specialized brands, a steadily growing portfolio of cloud applications, and existing relations with millions of small businesses, freelancers and private users, United Internet is also well positioned in its **Applications segment** to utilize the opportunities offered by cloud computing.

In the case of Consumer Applications, the main focus in 2016 will continue to be on monetizing free accounts via advertising, and on secure e-mail communication. A further expansion of the “E-Mail made in Germany” initiative launched in August 2013 in cooperation with Deutsche Telekom is also targeted.

In the field of Business Applications, further exploitation of existing target markets is planned. The main focus will be placed on expanding business with existing customers through sales of additional products, such as new top-level domains or marketing tools like 1&1 List Local, and gaining new high-quality customer relationships, e.g. via the 1&1 Cloud Server.

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

Forecast for fiscal year 2016

Specifically, United Internet expects that the number of fee-based customer contracts will grow by a further approx. 800,000 contracts in fiscal year 2016, from a level of 15.97 million as of December 31, 2015.

Consolidated sales in fiscal year 2016 are expected to grow to approx. € 4 billion (prior year: € 3.716 billion). The sales trend during the year (compared to the corresponding prior-year quarter) will be influenced in part by the revenue recognition dates of Versatel's project business.

EBITDA is expected to rise to approx. € 850 million (prior year: € 771.2 million including special items from sales proceeds of € 14.0 million).

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. The key drivers of this result are the profit transfer agreements with 1&1 Telecommunication SE, 1&1 Mail & Media Applications SE and United Internet Ventures AG. Subject to possible special items, earnings before taxes are likely to be on a par with the previous year.

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

Management Board's overall statement on the anticipated development

The Management Board of United Internet AG is upbeat about its prospects for the future. Thanks to a business model based predominantly on electronic subscriptions, United Internet believes it is stable enough to withstand cyclical influences.

And with the investments made over the past few years in customer relationships, new business fields and internationalization, as well as via acquisitions and investments, the company has laid a broad foundation for its planned future growth.

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

In the case of Access products, marketing and sales activities will focus mainly on mobile internet products in fiscal year 2016. In this business, the market shares in Germany are currently being allocated. United Internet aims to participate in the current market growth and achieve above-average growth. The company also plans to leverage the strong positioning of its DSL products to generate visible growth. In addition to marketing Access products to consumers, the company will also expand its business with Access solutions for business clients via the Versatel brand.

In addition to the German market, international business with cloud applications also promises strong potential for the medium- and long-term growth of the company. In 2016, however, the company will again focus on the key topics of "monetization of free accounts via advertising" (Consumer Applications), "expanding business with existing customers" and "gaining new high-quality customer relationships" (Business Applications).

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 its forecasts for the full year 2016 – as presented in the table below.

Full-year 2016 forecast for United Internet AG

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

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

The Management Board also expects strong growth in the financial performance indicators EBIT and EPS in fiscal 2016 – in the company's operating business – compared to the respective prior-year figures adjusted for sales proceeds from the sale of Goldbach shares and part of the company's shareholding in virtual minds.

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 (5) and Sec. 315 (2) No. 5 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. United Internet AG's ICS is also based on the internationally recognized controlling models of the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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 continually 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. 315a 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. 289 (4) and 315 (4) 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, 2015 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 917,859 shares representing 0.45% 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 holds 82,000,000 shares (40.00% of capital stock) as of December 31, 2015. Moreover, Mr. Robert Hoffmann holds 100,000 shares (0.05% of capital stock), Mr. Jan Oetjen holds 14,033 shares (0.01% of capital stock), Mr. Martin Witt holds 3,139 shares (0.00% of capital stock), and Mr. Frank Krause holds 920 shares (0.00% of capital stock).

Among the members of the Supervisory Board, Mr. Michael Scheeren holds 300,000 shares (0.15% of capital stock) at the end of the reporting period.

There are no limitations affecting the transfer of shares.

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

The company's CEO, Mr. Ralph Dommermuth, owns 82,000,000 shares or 40.00% of the 205,000,000 shares in United Internet AG as of December 31, 2015. 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 companies affiliated with him 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 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 back shares

The authorization of the Annual Shareholders' Meeting granted on May 23, 2013 and originally limited until November 22, 2014 to acquire, sell or cancel treasury shares was cancelled by the Annual Shareholders' Meeting of May 22, 2014 on expiration of May 22, 2014 with a future effect.

In accordance with Sec. 71 (1) No. 8 AktG, the Annual Shareholders' Meeting of May 22, 2014 at the same time authorized the Management Board to acquire, sell or cancel treasury shares of up to ten percent of its capital stock in the period directly following the expired authorization and ending on September 22, 2017.

The authorization may be exercised by the company wholly or in installments, once or several times for the pursuit of one or more purposes; it can, however, also be exercised by dependent or majority-owned corporations of the company or by third parties for the company’s or their own account. The authorization may not be used for the purposes of trading with company shares.

United Internet shares may be purchased in all legally permissible manners, especially via the stock exchange and/or by means of a public bid. In the case of a purchase via the stock exchange, the price for the acquisition of United Internet shares (excluding transaction costs) may not be more than ten percent lower or higher than the stock market price.

The price for the purchase of United Internet shares by means of bids can be settled by a cash payment or by transfer of shares in a listed company pursuant to Sec. 3 (2) AktG (“exchange shares”).

The Management Board is authorized, subject to the approval of the Supervisory Board, to use these and previously acquired shares for all legally permissible purposes, in particular a sale of treasury shares other than via the stock exchange or by offering to all shareholders or for cash compensation. The authorization to sell for cash contribution is reduced by that proportion of capital stock attributable to shares excluded from subscription rights in direct or corresponding application of Sec. 186 (3) Sentence 4 AktG.

Moreover, the Management Board is authorized to use the acquired treasury shares, subject to the approval of the Supervisory Board, to grant shares to members of the Management Board and other company employees, as well as the management and employees of affiliated companies pursuant to Secs. 15 ff. AktG, should such persons be entitled to subscription on the basis of employee stock ownership plans. Insofar as treasury shares are to be transferred to members of the company’s Management Board, the decision shall be incumbent upon the Supervisory Board.

The Management Board is further authorized to use the acquired treasury shares, subject to the approval of the Supervisory Board, to fulfill conversion and warrant rights or conversion obligations.

The Management Board is also authorized to retire and cancel acquired treasury shares in full or in part, subject to the approval of the Supervisory Board, without any further resolution of the Annual Shareholders' Meeting.

The right of shareholders to subscribe to treasury shares shall be excluded to the extent that these shares are used in accordance with the aforementioned authorizations.

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. 289a HGB and 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 2015. 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

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 represent their interests.

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
- the company’s stock market listing and
- its current shareholder structure,

the Supervisory Board of United Internet AG has adopted the following targets for its future composition:

The members of the Supervisory Board must collectively have the knowledge, skills and professional experience necessary for them to carry out their tasks in the correct manner. The Supervisory Board will take this and the following targets into consideration when making its nomination proposals to the Annual Shareholders' Meeting.

In consideration of this requirement, the following targets apply for the composition of the Supervisory Board. The specific situation of the company at the time must always be considered when implementing these targets.

- The Supervisory Board aims to ensure that it always includes at least one member with several years of experience working abroad or working for a company with international activities.
- Supervisory Board members should not have any activities elsewhere which are likely to result in frequent conflicts of interest. This includes executive positions held with major competitors.
- The Supervisory Board aims to ensure that at least two of its three members are independent within the meaning of section 5.4.2 of the German Corporate Governance Code (GCGC).
- At the time of their election or re-election, members of the Supervisory Board should not have reached the age of 70.
- The Supervisory Board aims to achieve a composition which reflects as wide a spectrum of relevant experience for the company as possible. With regard to the representation of women, reference is made to the separate targets set in accordance with mandatory guidelines.
- The Supervisory Board aims to ensure that at least one of its members has special knowledge and experience in the application of accounting principles and internal control processes.
- The Supervisory Board aims to ensure that all its members have sufficient time to exercise their duties with due care throughout the entire period of office. It will take this aspect into consideration when making its nomination proposals and check with the respective candidates that this is the case.

The Supervisory Board of United Internet AG is of the opinion that the stated targets for the composition of the Supervisory Board are currently fulfilled without exception.

Current composition of the Supervisory Board

The Supervisory Board re-elected by the Annual Shareholders' Meeting 2015 continued to comprise the members Kurt Dobitsch (Chairman), Michael Scheeren (Deputy Chairman) and Kai-Uwe Ricke in fiscal year 2015. 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 2015, it consisted of five persons. 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 Sec. 15 WpHG.

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

In the fiscal year 2015, the Management Board of United Internet comprised the company's founder and Chief Executive Officer Mr. Ralph Dommermuth, the deputy chair and Management Board member responsible for Business Applications Mr. Robert Hoffmann (with the company since 2006), the Management Board member responsible for Consumer Applications Mr. Jan Oetjen (with the company since 2008), the Management Board member responsible for Access Mr. Martin Witt (with the company since 2009) and the Chief Financial Officers Mr. Norbert Lang (until 30 June 2015) and Mr. Frank Krause (since 1 June 2015).

United Internet's long-serving Chief Financial Officer (CFO), Mr. Norbert Lang left the company at his own request on June 30, 2015.

Mr. Frank Krause was appointed as the new CFO of United Internet AG with effect from June 1, 2015.

Since July 1, 2015, the Management Board of United Internet AG has thus comprised the following 5 members:

- Ralph Dommermuth, CEO
- Robert Hoffmann, deputy chair, Management Board member responsible for Business Applications
- Jan Oetjen, Management Board member responsible for Consumer Applications
- Martin Witt, Management Board member responsible for Access
- Frank Krause, CFO

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

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 August 12, 2015:

- For the reference period (until June 30, 2017), a target of "0" is set for the Supervisory

Board which was only elected by the Annual Shareholders' Meeting of May 21, 2015. The Supervisory Board currently comprises only men. The period of office for all Supervisory Board members extends well beyond the end of the reference period. No personnel changes or expansion of the Supervisory Board are planned or envisaged.

- For the reference period (until June 30, 2017), 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 reference period should there be any indication of a new appointment during the reference period.
- No target has been 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.

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.

In the interest of all employees and the company, compliance violations are investigated, resolved and punished by taking the appropriate measures. To this end, the company's Management Board has established a Compliance Organization to ensure adherence to legal and internal regulations, including the company's values, and to anchor them firmly in the organization.

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. As of January 1, 2015, 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 efficiently introduce measures. The compliance organization 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.

With its three levels of action Prevent, Detect, and Respond, 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. 315a 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 2015. The Supervisory Board issues the auditing mandate, determines auditing focal points, approves the auditing fee and examines the independence of the auditors.

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 40 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 35 of the notes to the consolidated financial statements.

Directors' Dealings

According to Sec. 15a of the German Securities Trading Act (Wertpapierhandelsgesetz - WpHG), members of the Management Board and Supervisory Board of United Internet AG are legally obliged to declare their purchase and sale of shares in United Internet AG or related financial instruments whenever the transaction conducted by an executive body or related persons reaches or exceeds the amount of € 5,000 within one calendar year.

In fiscal year 2015, the Management Board and Supervisory Board of United Internet AG conducted the following securities transactions (in chronological order):

- On June 3, 2015, Mr. Robert Hoffmann sold 91,660 shares at a price of € 42.3685 each. The total volume amounted to € 3,883k.
- On June 9, 2015, Mr. Martin Witt sold 5,000 shares at a price of € 39.826 each. The total volume amounted to € 199k.
- On December 3, 2015, Mr. Martin Witt sold 200 shares at a price of € 50.0010 each and a total volume of € 10k and on December 4, 2015, 8,300 shares at a price of € 50.00 each and a total volume of € 415k.
- On December 9, 2015, Mr. Jan Oetjen sold 9,000 shares at a price of € 50.8093 each. The total volume amounted to € 457k.

No further directors' dealings were reported to the company by its executive bodies.

The following table shows the number of shares held by members of the Management Board and Supervisory Board (in shares, corresponding to voting rights and the notional share of capital stock in €).

As of December 31, 2015, the capital stock amounted to € 205,000,000 with the same number of voting rights. Total shareholdings of Management Board members amounted to 40.06% of capital and votes, the total shareholdings of Supervisory Board members amounted to 0.15% of capital and votes. Of the executive bodies, only Mr. Dommermuth held a shareholding of more than 1% (specifically 40.00%) of capital and votes.

Shareholdings of Management Board and Supervisory Board members

Shareholding			**January 1, 2015**			**December 31, 2015**
Management Board	Direct	Indirect	Total	Direct	Indirect	Total
Ralph Dommermuth	0	82,000,000	82,000,000	0	82,000,000	82,000,000
Robert Hoffmann	75,000	0	75,000	100,000	0	100,000
Frank Krause	-	-	-	920	0	920
Jan Oetjen	3,994	0	3,994	14,033	0	14,033
Martin Witt	0	0	0	3,139	0	3,139
	78,994	82,000,000	82,078,994	118,092	82,000,000	82,118,092
Supervisory Board	Direct	Indirect	Total	Direct	Indirect	Total
Kurt Dobitsch	---	---	---	---	---	---
Kai-Uwe Ricke	---	---	---	---	---	---
Michael Scheeren	300,000	---	300,000	300,000	---	300,000
	300,000	---	300,000	300,000	---	300,000

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. The 13th and currently valid version of the German Corporate Governance Code was completed on May 5, 2015 and published by the Ministry of Justice in the Federal Gazette (http://www.bundesanzeiger.de) on June 12, 2015.

The Code contains three types of standard:

- regulations describing currently valid legal standards in Germany
- recommendations
- suggestions

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.

On March 5, 2016, 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 submitting its last Declaration of Conformity issued on March 5, 2015, United Internet AG complied with the recommendations of the "Government Commission German Corporate Governance Code" in its applicable version dated May 5, 2015 ("Code"), whereby the version dated June 24, 2014 was applied until the new version was published in the Federal Gazette on June 12, 2015, and plans to continue to comply with these recommendations 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.

Performance-based compensation of Supervisory Board members to be aligned with sustainable corporate development
(section 5.4.6 para. 2 sentence 2 of the Code)

On May 21, 2015, the Annual Shareholders' Meeting of United Internet AG adopted a new remuneration system for the fiscal year 2015 and the following years which complies fully with the Code (consisting of a fixed remuneration component and an attendance fee) and thus replaced the former remuneration system (consisting of a fixed remuneration component and variable short and long-term remuneration components), which was possibly not fully oriented toward sustainable growth of the enterprise as defined in section 5.4.6 para. 2 sentence 2 of the Code.

Publications on accounting
(section 7.1.2 sentence 4 of the Code)

Due to organizational, internal reasons, United Internet AG only published its interim report for the first quarter of 2015 and its report for the first nine months of 2015 on May 19, 2015 and November 17, 2015, respectively. For the same reasons, the interim report for the first quarter of 2016 will be published on May 17, 2016 and the report for the first nine months of 2016 on November 15, 2016.

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. In the case of four Management Board members, 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.

With regard to severance pay for members of the Management Board, United Internet 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. Mr. Lang waived his claims arising from this post-service prohibition to compete.

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.

Gewährte Zuwendungen (in T€)	Ralph Dommermuth				Norbert Lang [1]				Frank Krause[2]			
	Vorsitzender				Finanzen				Finanzen			
	Seit 2000				Seit 2000 bis 30. Juni 2015				Seit 1. Juni 2015			
	2014	2015	2015 (Min)	2015 (Max)	2014	2015	2015 (Min)	2015 (Max)	2014	2015	2015 (Min)	2015 (Max)
Festvergütung	300	300	300	300	300	150	150	150		210	210	210
Nebenleistungen	0	0	0	0	20	11	11	11		106	106	106
Summe	300	300	300	300	320	161	161	161		316	316	316
Einjährige variable Vergütung	240	240	0	288	190	95	0	114		82	82	98
Mehrjährige variable Vergütung										1.213	0	
SAR-Programm M 2014 (6 Jahre)												
SAR-Programm O 2015 (6 Jahre)										1.213	0	
Summe	540	540	300	588	510	256	161	275		1.611	398	414
Versorgungsaufwand												
Gesamtvergütung	540	540	300	588	510	256	161	275		1.611	398	414

Benefits granted (in €k)	Robert Hoffmann				Jan Oetjen[3]				Martin Witt[3]			
	Business Applications				Consumer Applications				Access			
	Since January 1, 2013				Since October 1, 2014				Since October 1, 2014			
	2014	2015	2015 (Min)	2015 (Max)	2014	2015	2015 (Min)	2015 (Max)	2014	2015	2015 (Min)	2015 (Max)
Fixed compensation	300	300	300	300	292	300	300	300	275	300	300	300
Fringe benefits	11	12	12	12	12	13	13	13	12	12	12	12
Total	311	312	312	312	304	313	313	313	287	312	312	312
One-year variable compensation	200	200	0	240	242	200	0	240	175	200	0	240
Multi-year variable compensation					1,425				1,425			
SAR program M 2015 (6 years)					1,425				1,425			
SAR program O 2015 (6 years)												
Total	511	512	312	552	1,971	513	313	553	1,887	512	312	552
Service cost												
Total compensation	511	512	312	552	1,971	513	313	553	1,887	512	312	552

(1) 2015 without settlement of paid leave entitlements of € 13k

(2) The fringe benefits of Mr. Krause result from the benefit in kind of a company car and a one-off payment of € 100,000; the size of the maximum multi-year compensation (SAR program O 2015) for Mr. Krause is calculated (based on 200,000 SARs) from an issue price of € 40 and a theoretical share price of at least € 80 (share price as of March 11, 2016: € 44.65) for the respective exercise period and distributed over a term of 5 years

(3) The Management Board members Jan Oetjen and Martin Witt received their compensation for 2014 and 2015 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		Norbert Lang[(1)]		Frank Krause[(2)]		Robert Hoffmann		Jan Oetjen[(3)]		Martin Witt[(3)]	
	CEO		CFO		CFO		Business Applications		Consumer Applications		Access	
	Since 2000		Until June 30, 2015		Since June 1, 2015		Since January 1, 2013		Since October 1, 2014		Since October 1, 2014	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Fixed compensation	300	300	150	300	210		300	300	300	292	300	275
Fringe benefits	0	0	11	20	106		12	11	13	12	12	12
Total	300	300	150	320	316		312	311	313	304	312	287
One-year variable compensation	240	247	95	196	82		130	200	207	242	201	175
Multi-year variable compensation				1.104			4.917	2.246	896	1.172	722	320
SAR program E 2009 (6 years)				1.104						276		
SAR program F 2009 (6 years)								1.344				
SAR program I 2010 (6 years)									896	896		
SAR program A 2011 (6 years)											121	121
SAR program B 2011 (6 years)							902	902				
SAR program F 2012 (6 years)											199	199
SAR program H 2012 (6 years)							4.015				402	
Other												
Total	540	547	245	1.620	398		5.359	2.757	1.416	1.718	1.235	782
Service cost												
Total compensation	540	547	245	1.620	398		5.359	2.757	1.416	1.718	1.235	782

(1) 2015 without settlement of paid leave entitlements of € 13k
(2) The fringe benefits of Mr. Krause result from the benefit in kind of a company car and a one-off payment of € 100,000
(3) The Management Board members Jan Oetjen and Martin Witt received their compensation for 2015 via subsidiaries of United Internet AG

Further details on Management Board remuneration are provided in section 40 of the notes to the consolidated financial statements.

In fiscal year 2015, the following Management Board members exercised SARs: Mr. Robert Hoffmann (325,000 SARs with a weighted strike price of € 15.13), Mr. Jan Oetjen (100,000 SARs with a weighted strike price of € 8.96) and Mr. Martin Witt (50,000 SARs with a weighted strike price of € 14.44). In the reporting period, Mr. Frank Krause was granted 200,000 SARs with a strike price of € 40.

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. Robert Hoffmann (€ 464k, prior year: € 778k), Mr. Norbert Lang (€ 0k, prior year: € 11k), Mr. Frank Krause (€ 191k, prior year: € 0k), Mr. Jan Oetjen (€ 458k, prior year: € 350k) and Mr. Martin Witt (€ 523k, prior year: € 433k).

Principles of the Supervisory Board remuneration system

The 3 members of the Supervisory Board of United Internet AG also form the supervisory board of the most important subsidiaries, i.e. the sub-groups 1&1 Telecommunication SE, 1&1 Internet SE and 1&1 Mail & Media Applications SE, as well as United Internet Ventures AG. 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 new 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.

In the course of their duties for 1&1 Telecommunication SE, the fixed remuneration component for an ordinary member of the Supervisory Board is € 50,000 per full fiscal year, for the Deputy Chairman of the Supervisory Board € 55,000 per full fiscal year and for the Chairman of the Supervisory Board € 60,000 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 Internet 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.

In the course of their duties for United Internet Ventures AG, the fixed remuneration component for an ordinary member and the Deputy Chairman of the Supervisory Board is € 10,000 each per full fiscal year, and for the Chairman of the Supervisory Board € 15,000 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.

Specific details on Supervisory Board compensation is provided in section 40 of the notes to the consolidated financial statements.

Stock-based compensation

United Internet AG operates 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.

Detailed information on stock-based compensation is provided in section 35 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 11, 2016

The Management Board

Ralph Dommermuth   Robert Hoffmann   Frank Krause   Jan Oetjen   Martin Witt

Annual Financial Statements of the Parent Company acc. to HGB

as at
December 31, 2015

United Internet AG - Balance Sheet acc. to HGB

as of December 31, 2015 in €k

A S S E T S	December 31, 2015	December 31, 2014
FIXED ASSETS		
Property, plant and equipment		
Other equipment, opera ional and office equipment	135	133
	135	133
Financial assets		
Shares in affiliated companies	1,558,258	1,214,501
Loans to affiliated companies	1,434,630	1,037,300
	2,992,888	2,251,801
	2,993,023	2,251,934
CURRENT ASSETS		
Accounts receivable and other assets		
Receivables due from affiliated companies	1,134,358	1,886,115
Other assets	89,915	366,713
	1,224,273	2,252,828
Cash in hand and bank balances	8,005	9,842
	1,232,278	2,262,670
PREPAID EXPENSES	40	40
	4,225,341	4,514,644

E Q U I T Y A N D L I A B I L I T I E S	December 31, 2015	December 31, 2014
EQUITY		
Capital stock	204,182	203,868
Capital reserves	457,977	457,977
Revenue reserves		
Other revenue reserves	513,501	500,319
Retained earnings	1,351,860	1,422,774
	2,527,520	2,584,938
ACCRUALS		
Accrued taxes	6,955	33,859
Other accrued liabilities	18,489	23,707
	25,444	57,566
LIABILITIES		
Liabilities due to banks	1,409,185	1,382,646
Trade accounts payable	77	635
Liabilities due to affiliated companies	242,314	466,544
Other liabilities	20,801	19,530
	1,672,377	1,869,355
DEFERRED TAX LIABILITIES	0	2,785
	4,225,341	4,514,644

United Internet AG - Income Statement acc. to HGB

from January 1, 2015 to December 31, 2015 in €k

	2015 January - December	2014 January - December
Sales	1,356	6,298
Other operating income	1,935	428
Cost of materials		
Cost of purchased services	-303	-4,960
Personnel expenses		
a. Wages and salaries	-3,833	-2,674
b. Social security contributions	-36	-33
Amortization and depreciation of intangible assets and property, plant and equipment	-31	-68
Other operating expenses	-9,252	-7,153
Income from profit transfer agreements	80,434	1,572,763
Other interest and similar income	39,977	8,356
Expense from loss transfer	-15,116	-5,689
Interest and similar expenses	-20,784	-34,341
Result from ordinary operations	74,347	1,532,927
Taxes on income	-23,000	-53,352
Other taxes	-1	-2
Net profit for the year	51,346	1,479,573
Profit carried forward	1,300,514	143,202
Transfer to other revenue reserves	0	-200,000
Balance sheet profit	1,351,860	1,422,775

UNITED INTERNET AG, MONTABAUR

Notes to the Financial Statements for Fiscal Year 2015

GENERAL PROVISIONS

The annual financial statements for fiscal year 2015 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).

Due to its capital market orientation, United Internet AG, Montabaur, is classified as a large corporation pursuant to Sec. 267 (3) HGB.

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. 315 a HGB.

Due to a change in disclosure in fiscal year 2015, sales, other operating income, material expenses and other operating expenses are only comparable with the prior-year figures to a limited extent. Reference is made to the notes to the income statement.

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 then merged into the company with effect from January 1, 1998.

On March 20, 1998 the company's shares were admitted to the regulated market with a listing in the Neuer Markt segment of the Frankfurt Stock Exchange. 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) or million euro (€m).

The following, largely unchanged, accounting and valuation methods were used in the preparation of the annual financial statements.

Property, plant and equipment are carried at cost and depreciated over their expected useful lives. For assets acquired up to December 31, 2007 and between January 1, 2009 and December 31, 2009, the declining balance method is applied. The straight-line method is applied in the year in which it leads to higher annual depreciation rates. Other fixed assets are depreciated using the straight-line method. Individual items with a low net value of up to € 150.00 are fully expensed in the year of acquisition; it is assumed that they are disposed of immediately. For reasons of simplification, the tax method used to compile omnibus items is also applied in the commercial balance sheet for individual assets with a net value of over € 150.00 and up to € 1,000.00. This omnibus item is then written off in a lump sum of 20 percent in the year of addition as well as in each of the following four years. Other depreciation of additions to property, plant and equipment is always made pro rata temporis.

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 market value, while loans are always stated at the lower of nominal or 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.

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.

Liabilities are stated at their settlement amount.

For the calculation of deferred taxes 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, these 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.

Insofar as hedges are created in accordance with Sec. 254 HGB, the following accounting and measurement principles are applied:

Economic hedging relationships are presented in the financial statements by the creation of hedges. The so-called "net hedge presentation method" ("Einfrierungsmethode") is used, in which offsetting value changes in the hedged risk are not disclosed and the offsetting positive and negative changes in value are therefore not recognized with an effect on the income statement.

NOTES TO BALANCE SHEET ITEMS

FIXED ASSETS

Reference is made to the fixed asset movement schedule (exhibit 1 of the notes) for the classification and development of fixed assets.

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).

Additions to shares in affiliated companies mainly refer to the purchase of shares in GMX & WEB.DE Mail & Media SE, Montabaur, which was acquired from the subsidiary 1&1 Internet AG, Montabaur, for an amount of € 1,040,600k on April 1, 2015. The acquired company was then merged with the existing subsidiary 1&1 Mail & Media Applications SE, Montabaur.

The company 1&1 Internet SE, Montabaur, was also acquired in the reporting period for a purchase price of € 132k. Both 1&1 Internet AG, Montabaur, and 1&1 Internet Service Holding GmbH, Montabaur, were merged with this company in the reporting period. There was an opposing effect from a dividend payment of 1&1 Internet AG amounting to € 697 million, which was treated as a capital repayment in the commercial balance sheet.

Additions to shares in affiliated companies also include an amount of € 25k for the foundation of United Internet Service Holding GmbH, Montabaur.

Loans increased mainly as a result of an internal transfer agreement within the Group for a loan totaling € 937 million. An amount of € 540 million was redeemed from the loan in the reporting period. The transferred loan agreement was concluded between an indirect and a direct subsidiary of United Internet AG as part of internal Group restructuring measures on December 12, 2014 and has a fixed term until December 31, 2019. The loan is subsequently prolonged by one year at a time unless one of the parties terminates the agreement with a notice period of three months. In addition, a loan to a subsidiary was increased by € 250k in the reporting period.

CURRENT ASSETS

Receivables and other assets

The classification and maturities of receivables and other assets are shown in the following table (€k):

	31.12.2015	31.12.2015			31.12.2014
		Remaining term			
	Total	up to 1 year	of 1 to 5 years	over 5 years	Total *
Accounts receivable from affiliated companies	1,134,358	1,134,358			1,886,115
Other assets	89,915	89,915			366,713
	1,224,273	1,224,273	0	0	2,252,828

* All remaining terms up to 1 year.

Receivables from affiliated companies mainly comprise receivables due from United Internet Ventures AG (€ 568,397k) and 1&1 Telecommunication SE (formerly 1&1 Telecommunication Holding SE), Montabaur, (€ 522,105k). Receivables from United Internet Ventures AG result mainly from balances of the United Internet Group’s internal cash management system (€ 557,361k) and from the profit transfer agreement (€ 9,570k). Receivables from 1&1 Telecommunication SE result mainly from balances of the United Internet Group’s internal cash management system (€ 502,952k) and from service arrangements (€ 19,153k).

Other assets consist mostly of receivables due from the tax office (€ 82,831k).

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, 2015 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, 2015 the company held 817,859 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 EUR 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 22, 2017 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. As of the balance sheet date 817,859 treasury shares were held.

The company’s Management Board is authorized, subject to the approval of the Supervisory Board, to sell treasury stock it has acquired in other ways than through the stock exchange or by offering to all shareholders, if the acquired treasury stock is sold for cash contribution at a price not significantly below the market price for such shares at the time of sale, or for reasonable non-cash consideration.

Subject to approval by the Supervisory Board, the Management Board is authorized to use the own shares acquired on the basis of this authorization to grant shares to members of the Management Board, to other company employees as well as to the management and employees of affiliated companies acc. to Sec. 15 ff. AktG, who are entitled to them on the basis of employee stock ownership plans. The company’s Supervisory Board shall decide in all cases where own shares are to be transferred to members of the Management Board.

The Management Board is also permitted, subject to the approval of the Supervisory Board, to use the acquired treasury shares to meet conversion or option rights, or option commitments.

The Management Board is further permitted, subject to the approval of the Supervisory Board, to call in shares without a further resolution of the general meeting of shareholders.

The shareholders‘ subscription rights to treasury shares are excluded insofar as these shares are used according to the above authorizations. The authorization to purchase, sell or withdraw treasury shares can be exercised once or severally and either in total or in parts.

Total shareholders' equity developed as follows (€):

Development of total shareholders' equity

Capital stock		
- Capital stock - December 31, 2014		205,000,000.00
- Capital stock - December 31, 2015		205,000,000.00
- Open deduction of treasury shares acc. to Sec. 272 (1)a HGB -		
December 31, 2014	-1,132,338.00	
- Issue of treasury shares	314,479.00	
- Open deduction of treasury shares acc. to Sec. 272 (1)a HGB -		
December 31, 2015		-817,859.00
- Balance as of December 31, 2015		204,182,141.00
Capital reserves		
- Balance as of December 31, 2014		457,976,677.74
- Transfer to capital reserves		0.00
- Drawings from capital reserves		0.00
- Balance as of December 31, 2015		457,976,677.74
Other revenue reserves		
- Balance as of December 31, 2014		500,318,524.81
- Transfer to other revenue reserves (employee stock ownership plan)		13,182,181.54
- Balance as of December 31, 2015		513,500,706.35
Balance sheet profit		
- Balance as of December 31, 2014		1,422,774,783.56
- Dividend payment		-122,260,597.20
- Net profit for the year		51,346,324.47
- Balance as of December 31, 2015		1,351,860,510.83
Total shareholders' equity		2,527,520,035.92

As of fiscal year 2010, treasury shares are treated in the same way as a capital reduction. The nominal amount was deducted from subscribed capital on the face of the balance sheet, the difference was offset with other revenue reserves. The nominal value of shares held on the balance sheet date December 31, 2015, amounting to € 817,859 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 21, 2015 followed the proposal of the Management Board and Supervisory Board to carry forward part of the balance sheet profit 2014 amounting to € 1,300,514,186.36 and to distribute another part totaling € 122,260,597.20 as a dividend.

As of the reporting date, the balance sheet profit amounts to € 1,351,860,510.83. The balance sheet profit contains a carryforward from the previous year amounting to € 1,422,774,783.56. This amount was reduced under consideration of the dividend paid in fiscal year 2015 to € 1,300,514,186.36.

The Management Board and Supervisory Board will discuss their dividend proposal for fiscal year 2015 at the Supervisory Board meeting on March 16, 2016. 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, 2015 the company held 817,859 treasury shares, representing 0.40% of the capital stock of 205,000,000 shares. The average purchase cost per share amounted to € 29.10.

With a resolution adopted on May 22, 2014, the Annual Shareholders‘ Meeting authorized United Internet AG to buy back treasury shares representing up to 10% of the company‘s capital stock. The authorization was issued for the period up to September 22, 2017. On the basis of this authorization, the Management Board of United Internet AG resolved on June 13, 2014 to launch a new share buyback program. In the course of this new share buyback program, up to 2,000,000 company shares can be bought back via the stock exchange.

No treasury shares were purchased in the reporting period.

ACCRUALS

Accrued taxes of € 6,995k 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. They were formed mainly for the employee stock ownership plan (€ 14,548k), for legal, auditing and consulting fees (€ 3,035k), and for bonuses and commissions (€ 522k).

The effect from discounting accruals recognized in interest expenses amounts to € 667k (prior year: € 580k).

LIABILITIES

The classification and maturities of the liabilities are shown in the following table (€k):

	31.12.2015	31.12.2015			31.12.2014	
	Total	Up to 1 year	Remaining term of 1 to 5 years	Over 5 years	Total	Remaining term up to 1 year
Bank liabilities	1,409,185	29,185	1,282,500	97,500	1,382,646	2,646
Trade payables	77	77	0	0	635	635
Liabilities due to affiliated companies	242,314	229,817	0	12,497	466,544	466,544
Other liabilities thereof for taxes € 20,801k (prior year: € 19,529k)	20,801	20,801	0	0	19,530	19,530
	1,672,377	279,880	1,282,500	109,997	1,869,355	489,355

Bank liabilities as of December 31, 2015 result from a syndicated loan totaling € 750 million concluded in August 2014, comprising two tranches with terms to 2017 and 2019, and a promissory note loan of € 600 million divided into 4 tranches with varying terms from 2017 to 2022.

In addition, there is a revolving syndicated loan of € 810 million (prior year: € 600 million) with a term until July 9, 2020, which had been utilized as of December 31, 2015 in an amount of € 30 million.

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 (€ 203,030k), from services received from these companies (€ 11,671k), and from profit transfer agreements (€ 15,116k). Also included is a loan obligation with a term of 10 years amounting to € 12,497k pertaining to a Group company (1&1 Internet Ltd., Slough, UK).

Other liabilities consist mainly of sales tax liabilities of € 20,735k.

DEFERRED TAXES

Due to existing direct and indirect tax pooling, the measurement of existing deferred taxes is made across the entire tax pooling group of United Internet AG.

In the reporting period, there is an excess of deferred tax assets as of December 31, 2015. Deferred tax assets as of the reporting date result mainly from intangible assets, investments, and accruals. Deferred tax liabilities result from intercompany adjustment items and investments. The calculation is based on a tax rate of 30.32%. In execution of the reporting option pursuant to Sec. 274 (1) S. 2 HGB, this excess was not recognized.

NOTES TO THE INCOME STATEMENT

SALES

The company's sales revenues were generated in Germany and mainly comprise services rendered to subsidiaries of € 1,356k (prior year: € 6,298k).

Compared to the previous year, the company has changed its disclosure of cost allocations. In the reporting period, sales mainly comprise management services of United Internet AG rendered to Group companies. Pure cost allocations are disclosed in other operating income in the reporting period. Applying the same method as in the previous year, sales would amount to € 2,886k and other operating income to € 406k. At the same time, the cost of materials would amount to € 1,648k and other operating expenses to € 7,907k.

OTHER OPERATING INCOME

Other operating income mainly results from allocation amounts within the Group totaling € 1,530k, income not relating to the period from the reversal of accruals (€ 231k), and currency differences (€ 137k; prior year: € 353k).

PERSONNEL EXPENSES

Adjusted for the effects from employee stock ownership plans, personnel expenses amounted to € 1,831k in the reporting period (prior year: € 1,645k).

OTHER OPERATING EXPENSES

Other operating expenses mainly comprise the expenses for legal, consulting and audit fees as well as Supervisory Board remuneration (€ 4,493k), and expenses relating to currency translation (€ 2,142k; prior year: € 352k).

INCOME FROM PROFIT TRANSFER AGREEMENTS

Income from profit transfer agreements refers to the profit transfers of 1&1 Mail & Media Applications SE (formerly United Internet Mail & Media SE), Montabaur, (€ 70,864k), and United Internet Ventures AG, Montabaur, (€ 9,570k). In the previous year, income from profit transfer agreements was dominated largely by special items of the respective subsidiaries. It included for example investment from Group companies of € 1,327,774k, income in connection with the disposal of financial assets of € 192,249k, and opposing writedowns on financial assets of € 64,385k. As certain profit transfer agreements also no longer exist within the Group, income is not comparable with the previous year.

EXPENSES FOR LOSS ASSUMPTIONS

Expenses for loss assumptions mainly comprise the compensation expense for United Internet Corporate Services GmbH, Montabaur, (€ 6,122k) and 1&1 Telecommunication SE (formerly 1&1 Telecommunication Holding SE), Montabaur, (€ 8,714k).

INCOME TAXES

Income taxes of € 29,840k concern current taxes of 2015, of which € 15,092k are corporation tax and the solidarity surcharge and € 14,749k concern trade tax. There were also deferred tax expenses of € 2,785k. There was an opposing effect from tax income not relating to the period amounting to € 4,056k. The reversal of deferred tax liabilities also led to tax income of € 2,785k.

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, 2015, the Management Board consisted of the following members:

Ralph Dommermuth (CEO), Montabaur
Robert Hoffmann (COO), Kelkheim
Frank Krause (CFO), Kronberg/Taunus
Jan Oetjen (Management Board member for Consumer Applications), Karlsruhe
Martin Witt (Management Board member for Access), Reichertshausen

Mr. Frank Krause was appointed to the Management Board of United Internet AG on June 1, 2015. Mr. Norbert Lang (CFO) retired from the Management Board of United Internet AG on June 30, 2015 at his own request.

The members of the Management Board also belong to the supervisory boards of the following companies:

Ralph Dommermuth

- Rocket Internet SE, Berlin (until June 23, 2015)
- Versatel Telecommunications GmbH, Düsseldorf,
  chair of the advisory committee

Frank Krause

- Versatel Telecommunications GmbH, Düsseldorf (since June 22, 2015),
  member of the advisory committee
- home.pl S.A., Szczecinie/Poland (since December 30, 2015)

Martin Witt

- Versatel Deutschland GmbH, Düsseldorf,
  chair of the supervisory board
- Versatel Telecommunications GmbH, Düsseldorf, member of the advisory committee
- VATM e.V., Verband der Anbieter von Telekommunikations- und Mehrwertdiensten, Cologne, president

- WIK (WIK Wissenschaftliches Institut für Infrastruktur), Bad Honnef, member of the economic committee (since August 1, 2015)

Norbert Lang (until June 30, 2015)

- united-domains AG, Starnberg (deputy chair); (until December 3, 2015)
- Hi-Media SA, Paris / France
- Versatel Telecommunications GmbH, Düsseldorf, deputy chair of the advisory committee (until June 21, 2015)
- 1&1 Telecommunication SE (formerly 1&1 Telecommunication Holding SE), Montabaur (from March 17, 2015 to May 21, 2015)
- GMX & WEB.DE Mail & Media SE, Montabaur (from March 17, 2015 to July 14, 2015)
- Rocket Internet AG, Berlin (since June 23, 2015)
- Drillisch AG, Maintal (since November 12, 2015)

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 2015. 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.

In fiscal year 2015, total remuneration for the Management Board without shared-based benefits amounted in total to € 1,648k (prior-year: € 1,574k). Of this total, € 960k or 58% was fixed, € 546k or 33% was variable, € 113k or 7% was one-off special payments, and € 29k or 2% were 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 AG shares from its stock 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.

In fiscal year 2013, Mr. Robert Hoffmann was granted 1,000,000 SARs at an exercise price of € 16.06. At the time these virtual stock options were issued, the fair value amounted to € 2,060k. The fair value at the time of issue of subscription rights not exercised which were granted to Mr. Robert Hoffmann by 1&1 Internet AG, Montabaur, in previous years and at the time of his appointment to the Management Board amounted to € 1,738k on January 1, 2013. The exercise prices lie between € 6.07 and € 12.85. United Internet AG entered into these obligations on January 1, 2013. The intrinsic value of the 750,000 SARs at this time amounted to € 4,295k. In the fiscal year 2015, Mr. Robert Hoffmann exercised 250,000 of the subscription rights granted in previous years at a strike price of € 16.06 and 75,000 subscription rights at a strike price of € 12.03.

In fiscal year 2015 Mr. Frank Krause was granted 200,000 SARs at an exercise price of € 40.00. At the time these virtual stock options were issued, the fair value amounted to € 1,213k.

The following table provides details on the compensation received by members of the Management Board (€k):

2015	Fixed €k	Variable €k	Fringe benefits €k	Total fixed, variable and fringe benefits €k	Market value of share-based payments granted in 2015 €k *
Ralph Dommermuth	300	240	0	540	-
Robert Hoffmann	300	129	12	441	-
Frank Krause since June 1, 2015	210	82	106	398	1,213
Norbert Lang until June 30, 2015	150	95	24	269	-
	960	546	142	1,648	1,213

2014	Fixed €k	Variable €k	Fringe benefits €k	Total fixed, variable and fringe benefits €k	Market value of share-based payments granted in 2014 €k *
Ralph Dommermuth	300	247	0	547	-
Robert Hoffmann	300	200	11	511	-
Norbert Lang	300	196	20	516	-
	900	643	31	1,574	-

*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.

Total Management Board compensation as defined by Section 285 No. 9 HGB, i.e. including the market value of share-based payments, amounted to € 2,861k in the reporting period (prior year: € 1,574k). Members of the Management Board were not granted loans or advances in the reporting period or in the previous year.

On his retirement from the Management Board of United Internet AG, Mr. Norbert Lang received a special payment of € 13k to compensate for holiday claims, which is included in the fringe benefits. No further benefits were agreed on the departure of Mr. Lang.

In the first year of his appointment to the Management Board of United Internet AG, Mr. Frank Krause received a one-off special payment of € 100k. This special payment was included in the fringe benefits.

Reference is also made to the disclosures in the Remuneration Report, which is part of the Combined Management Report.

Mr. Jan Oetjen and Mr. Martin Witt receive salaries from subsidiaries of United Internet AG.

As in the previous year, no advances or loans were granted to members of the Management Board.

In fiscal year 2015, the Supervisory Board of United Internet AG consisted of the following members:

Kurt Dobitsch, chair,
Business owner, Chairman of the Supervisory Board of United Internet AG, Markt Schwaben

Kai-Uwe Ricke
Chairman of the Board of Directors of Delta Partners, Dubai, Emirate of Dubai, Stallikon / Switzerland

Michael Scheeren, deputy chair
Banker, Member of the Supervisory Board of United Internet AG, Frankfurt am Main

In fiscal year 2015, the members of the Supervisory Board also held seats on supervisory boards or similar committees of the following companies:

Kurt Dobitsch

- 1&1 Internet SE, Montabaur (formerly 1&1 Internet Holding SE, Montabaur; formerly Atrium 74. VV SE, Berlin); (from January 23, 2015 to March 16, 2015; from June 18, 2015)
- 1&1 Internet AG, Montabaur (until June 11, 2015)
- United Internet Ventures AG, Montabaur
- 1&1 Telecommunication AG, Montabaur (until April 30, 2015)
- GMX & WEB.DE Mail & Media SE, Montabaur (until March 16, 2015)
- 1&1 Telecommunication SE, (formerly 1&1 Telecommunication Holding SE), Montabaur (until March 16, 2015; from May 21, 2015)
- 1&1 Mail & Media Applications SE, (formerly United Internet Mail & Media SE), Montabaur, (until March 16, 2015; from July 22, 2015)
- United Internet Service SE, Montabaur (until March 16, 2015)
- Nemetschek AG, Munich (chair)
- Bechtle AG, Gaildorf
- Graphisoft S.E., Budapest / Hungary
- Singhammer IT Consulting AG, Munich
- Vectorworks Inc., Columbia / USA

Kai-Uwe Ricke

- 1&1 Internet SE, Montabaur (formerly 1&1 Internet Holding SE, Montabaur; formerly Atrium 74. VV SE, Berlin); (from January 23, 2015 to March 16, 2015; from June 18, 2015)
- 1&1 Internet AG, Montabaur (until June 11, 2015)
- United Internet Ventures AG, Montabaur
- 1&1 Telecommunication AG, Montabaur (until April 30, 2015)
- GMX & WEB.DE Mail & Media SE, Montabaur (until July 14, 2015)
- 1&1 Telecommunication SE, (formerly 1&1 Telecommunication Holding SE), Montabaur (until March 16, 2015; from May 21, 2015)
- 1&1 Mail & Media Applications SE, (formerly United Internet Mail & Media SE) Montabaur, (until March 16, 2015; from July 22, 2015)
- United Internet Service SE, Montabaur (until March 16, 2015)
- SUSI Partners AG, Zurich / Switzerland (chair)
- euNetworks Group Ltd., Singapore / Singapore
- Delta Partners, Dubai / Emirate of Dubai (chair)
- Zalando SE, Berlin
- Virgin Mobile CEE, Amsterdam / Netherlands

Michael Scheeren

- 1&1 Internet SE, Montabaur (chair); (formerly 1&1 Internet Holding SE, Montabaur; formerly Atrium 74. VV SE, Berlin); (from January 23, 2015 to March 16, 2015; from June 18, 2015)
- 1&1 Internet AG, Montabaur (chair); (until June 11, 2015)
- United Internet Ventures AG, Montabaur (chair)
- 1&1 Telecommunication AG, Montabaur (chair); (until April 30, 2015)
- GMX & WEB.DE Mail & Media SE, Montabaur (chair); (until July 14, 2015)
- 1&1 Telecommunication SE, (formerly 1&1 Telecommunication Holding SE), Montabaur (chair); (until March 16, 2015; from May 21, 2015)
- 1&1 Mail & Media Applications SE, (formerly United Internet Mail & Media SE), Montabaur, (chair); (until March 16, 2015; from July 22, 2015)
- United Internet Service SE, Montabaur (until March 16, 2015)
- Goldbach Group AG, Küsnacht-Zurich / Switzerland (until June 25, 2015)
- Lottowelt AG, Düsseldorf (until January 26, 2015)

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 (in the previous year only from 1&1 Internet AG, Montabaur). 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.

In the previous year, the members of the Supervisory Board of United Internet AG received compensation consisting of a fixed element and a variable element which depended on the economic success of the United Internet Group. The fixed remuneration for an ordinary member of the Supervisory Board amounted to € 10k per full fiscal year. The Chairman of the Supervisory Board received the double amount. The variable element for each member of the Supervisory Board, including the Chairman, was based on the consolidated earnings per share (EPS) of United Internet AG, calculated according to IFRS, and the development compared to prior years.

In addition, the members of the Supervisory Board of United Internet AG who were also members of the Supervisory Board of 1&1 Internet AG, Montabaur, received compensation from 1&1 Internet AG in the previous year. This also consisted of a fixed element and a variable element. The fixed remuneration for an ordinary member of the Supervisory Board amounted to € 20k per full fiscal year. The Chairman of the Supervisory Board received € 30k per full fiscal year. The variable element for each member of the Supervisory Board, including the Chairman, was based on the results of 1&1 Internet AG. It amounted to at least € 30k and no more than € 70k per full fiscal year.

The following table provides details on the compensation received by members of the Supervisory Board of United Internet AG (€k):

2015	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

2014	Fixed €k	Variable €k	Total €k
Kurt Dobitsch	20	57	77
Kai-Uwe Ricke	10	57	67
Michael Scheeren	10	57	67
	40	171	211

There are no subscription rights or share-based payments for members of the Supervisory Board.

Contingent liabilities

The company is jointly and severally liable for a credit line granted by banks to companies of the United Internet Group. As of the balance sheet date, the credit facility was used for credit guaranties of € 30,920k, while no credit line drawings were made. With regard to other bank liabilities, reference is made to the explanations under “Liabilities”.

Due to the stable business position of the borrowing subsidiaries of the United Internet Group, the risk involved in the contingent liabilities is currently regarded as very low.

Transactions with related parties

In the period under review, no transactions were made with related parties at non-standard market conditions.

Publication of voting right announcements acc. to Sec. 26 WpHG

Please refer to Appendix 3 of the Notes for details on voting rights disclosures.

Events after the balance sheet date

There were no significant events which took place after the balance sheet date.

Auditing and consulting fees

Total auditing and consulting fees charged for the fiscal year are not disclosed as they are included in the details provided in the consolidated financial statements of United Internet AG.

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).

Montabaur, March 11, 2016

The Management Board

Ralph Dommermuth   Robert Hoffmann   Frank Krause   Jan Oetjen   Martin Witt

United Internet AG

Development of Fixed Assets from January 1, 2015 to December 31, 2015

	Acquisition and production costs (€k)					Accumulated Depreciation (€k)				Net book value (€k)	
	1/1/2015	Additions	Disposals	Reclassifications	12/31/2015	1/1/2015	Additions	Disposals	12/31/2015	12/31/2015	12/31/2014
Property, plant and equipment											
Operational equipment	38				38	38			38	0	0
Office equipment	49				49	49			49	0	0
Improvements	0				0	0			0	0	0
Vehicles	185	61	66		180	52	31	37	46	134	133
Low-cost assets	0				0	0			0	0	0
Payments in advance	0				0	0			0	0	0
Total (I)	**272**	**61**	**66**	**0**	**267**	**139**	**31**	**37**	**133**	**134**	**133**
Financial assets											
Shares in affiliated companies	1,214,501	1,040,757	697,000		1,558,258	0			0	1,558,258	1,214,501
Loans to affiliated companies	1,037,300	937,330	540,000		1,434,630	0			0	1,434,630	1,037,300
Total (II)	**2,251,801**	**1,978,087**	**1,237,000**	**0**	**2,992,888**	**0**	**0**	**0**	**0**	**2,992,888**	**2,251,801**
Total	**2,252,073**	**1,978,148**	**1,237,066**	**0**	**2,993,155**	**139**	**31**	**37**	**133**	**2,993,022**	**2,251,934**

United Internet AG, Montabaur

Statement of investments as of December 31, 2015

	Capital share in %	Company equity as of Dec. 31, 2015 €k	Net income / loss FY 2015 €k
Shares held directly			
1&1 Internet SE, Montabaur, vormals Atrium 74. Europäische VV SE, Berlin	100,00	370 051	150 605
1&1 Mail & Media Applications SE, Montabaur, vormals United Internet Mail & Media SE, Montabaur (1)	100,00	968 686	0
1&1 Telecommunication SE, Montabaur, vormals 1&1 Telecommunication Holding SE (1)	100,00	176 256	0
1&1 Telecom Service Holding Montabaur GmbH, Montabaur (1)	100,00	25	0
MIP Multimedia Internet Park GmbH, Zweibrücken	100,00	624	-161
United Internet Corporate Services GmbH, Montabaur (1)	100,00	25	0
United Internet Service SE, Montabaur (1)	100,00	120	0
United Internet Service Holding GmbH, Montabaur (1)	100,00	25	0
United Internet Ventures AG, Montabaur (1)	100,00	128.439	0
Shares held indirectly			
1&1 Berlin Telecom Service GmbH, Berlin (1)	100,00	25	0
1&1 Breitband GmbH, Montabaur	100,00	-5	-5
1&1 Cardgate LLC, Chesterbrook / USA	100,00	175	175
1&1 Datacenter SAS, Strasbourg / France	100,00	1 314	171
1&1 Internet Development SRL, Bucharest / Romania	100,00	2 341	1 681
1&1 Internet Ltd., Gloucester / UK	100,00	940	418
1&1 Internet S.A.R.L., Saargemünd / France	100,00	1 248	1 206
1&1 Internet Inc., Chesterbrook / USA	100,00	17 536	2 847
1&1 Internet Espana S.L.U., Madrid / Spain	100,00	634	630
1&1 Internet Service GmbH, Montabaur	100,00	927	584
1&1 Internet (Philippines) Inc., Cebu City / Philippines	100,00	907	201
1&1 Internet Sp.z o.o, Warschau / Poland	100,00	153	35
1&1 Logistik GmbH, Montabaur (1)	100,00	25	0
1&1 Mail & Media Inc., Chesterbrook / USA	100,00	5 330	146
1&1 Telecom GmbH, Montabaur (14)	100,00	921	0
1&1 Telecom Holding GmbH, Montabaur	100,00	1.190 316	342 817
1&1 Telecom Sales GmbH, Montabaur (1)	100,00	25	0
1&1 Telecom Service Montabaur GmbH, Montabaur	100,00	967	772
1&1 Telecom Service Zweibrücken GmbH, Zweibrücken	100,00	544	519
1&1 UK Holdings Ltd., Gloucester / UK	100,00	86.742	-26
A1 Marketing, Kommunikation und neue Medien GmbH, Montabaur	100,00	1.152	1.120
A1 Media USA LLC, Chesterbrook / USA	100,00	119	95
Arsys Internet S.L., Logrono / Spain	100,00	86 325	6 801
Arsys Internet E.U R L., Perpignan / France	100,00	168	173
Nicline Internet S L., Logroño / Spain	100,00	253	11
Tesys Internet S.L., Logroño / Spain	100,00	1.180	136
Dollamore Ltd., Gloucester / UK (9)	100,00	0	0
Fasthosts Internet Ltd., Gloucester / UK	100,00	5 369	2.467
Fasthosts Internet Inc., Chesterbrook / USA (9)	100,00	-354	0
General Media Xervices GMX S L., Madrid / Spain (3)	100,00	n/a	n/a
GMX talia S.r.l., Milan / Italy (3)	100,00	n/a	n/a
1&1 De-Mail GmbH, Montabaur (1)	100,00	25	0
1&1 Mail & Media Development & Technology GmbH, Montabaur	100,00	1.748	793
1&1 Mail & Media GmbH, Montabaur (1)	100,00	212 665	0
1&1 Mail & Media Service GmbH, Montabaur (1)	100,00	25	0
affilinet GmbH, Munich	100,00	6 528	3.194
affilinet Ltd., London / UK	100,00	901	249
affilinet Nederland B.V., Haarlem / Netherlands	100,00	237	16
affilinet Espana S.L.U., Madrid / Spain	100,00	188	0
affilinet France SAS, Saint-Denis / France	100,00	-546	120
affilinet Austria GmbH, Vienna / Austria	100,00	49	5
affilinet Switzerland GmbH, Zurich / Switzerland	100,00	70	23
Cleafs B.V. Groningen / Netherlands	100,00	-204	-7
United Internet Media GmbH, Montabaur (1)	100,00	50	0
United Internet Media Austria GmbH, Vienna / Austria	100,00	184	5
Immobilienverwaltung AB GmbH, Montabaur	100,00	656	79
Immobilienverwaltung NMH GmbH, Montabaur	100,00	264	54
Sedo Holding GmbH, Montabaur	100,00	16 992	-591
Sedo GmbH, Cologne (4)	100,00	18.157	4.729
Sedo com LLC, Cambridge / USA	100,00	3 676	992
DomCollect International GmbH, Montabaur (4)	100,00	25	0
DomCollect Worldwide Intellectual Property AG, Zug / Switzerland (9)	100,00	251	3 063
united-domains AG, Starnberg	100,00	11 603	8 941
united-domains Reselling GmbH, Starnberg (5)	100,00	25	0
United Domains Inc., Cambridge / USA	100,00	322	139
Versatel Telecommunications GmbH, Düsseldorf (2)	100,00	265 886	0
Versatel GmbH, Berlin	100,00	136 231	3 567
Versatel Beteiligungs GmbH, Düsseldorf	100,00	21	-1
Versatel Deutschland GmbH, Düsseldorf (11)	100,00	320 390	0
Versatel Holding GmbH, Berlin (11)	100,00	151 637	0
Versatel Immobilien Verwaltungs GmbH, Düsseldorf	100,00	-4 005	3
Versatel Service Süd GmbH & Co. KG, Düsseldorf	100,00	7	-2
TROPOLYS Netz GmbH, Düsseldorf	100,00	-32 598	-14
TROPOLYS Service GmbH, Düsseldorf (11)	100,00	-20 234	0
InterNetX GmbH, Regensburg	95,56	13 398	4 281
InterNetX LAC S A., Buenos Aires / Argentina (13)	95,56	6	-1
myLLC GmbH, Regensburg (3,13)	95,56	13	-3
myLLP GmbH, Regensburg (3,13)	95,56	13	-3

United Internet AG, Montabaur

Statement of investments as of December 31, 2015

	Capital share in %	Company equity as of Dec. 31, 2015 €k	Net income / loss FY 2015 €k
InterNetX Corp., Miami / USA (13)	95,56	22	-205
Domain Robot Enterprises Inc., Vancouver / Canada (3,13)	95,56	0	0
Domain Robot Servicos de Hospedagem na Internet Ltda., Sao Paulo / Brazil (3,13)	95,56	16	11
PSI-USA, Inc., Las Vegas / USA (13)	95,56	563	18
Schlund Technologies GmbH, Regensburg (6,13)	95,56	25	0
home pl S.A., Szczecinie / Poland	100,00	36 342	1 634
AZ pl Sp. Z o o, Szczecinie / Poland	100,00	1 281	611
HBS Cloud Sp. Z o o, Szczecinie / Poland	100,00	9	0
premium pl Sp. Z o o, Szczecinie / Poland	75,00	210	-20
DP EUROPE Sp. Z o.o, Szczecinie / Poland	75,00	1	0
DP AFRICA Sp. Z o.o, Szczecinie / Poland	75,00	1	0
DP AMERICAS Sp. Z o.o, Szczecinie / Poland	75,00	1	0
DP AUSTRALIA Sp. Z o.o, Szczecinie / Poland	75,00	1	0
DP POLAND Sp. Z o o, Szczecinie / Poland	75,00	1	0
DP ASIA Sp. Z o.o, Szczecinie / Poland	75,00	1	0
Intellectual Property Management Company Inc., Dover (Delaware) / USA	49,00	403	262
DomainsBot S.r.l, Rome / taly	49,00	444	111
uberall GmbH, Berlin (12)	30,36	1 900	-1.188
ProfitBricks GmbH, Berlin (7)	28,57	-12 512	-6 850
Open-Xchange AG, Nuremberg (12)	29,02	30.737	-331
Virtual Minds AG, Freiburg (12)	25,10	7 556	-1.110
VictorianFibre Holding & Co. S.C.A, Luxembourg (7,9)	25,10	235 555	-96
ePages GmbH, Hamburg (10)	25,10	3 053	68
Drillisch AG, Maintal (12)	20,11	678.741	29.739
Afilias Ltd., Dublin / Ireland	< 20,00	--	--
Hi-media S A., Paris / France	< 20,00	--	--
Hi-Pay S A.S., Paris / France	< 20,00	--	--
MMC Investments Holding Company Ltd., Port Louis / Mauritius	< 20,00	--	--
Rocket Internet SE, Berlin, vormals Rocket Internet AG, Berlin	< 20,00	--	--

(1) profit transfer to United Internet AG (direct/indirect)
(2) loss assumption by 1&1 Telecommunication SE
(3) no operating business
(4) profit transfer to Sedo Holding GmbH (direct/indirect)
(5) profit transfer to united-domains AG
(6) profit transfer to InterNetX GmbH
(7) based on published figures as of December 31, 2013
(8) loss assumption by United Internet AG (direct/indirect)
(9) in liquidation
(10) based on published figures as of June 30, 2014
(11) profit transfer to Versatel GmbH (direct/indirect)
(12) based on published figures as of December 31, 2014
(13) shares held via InterNetX GmbH
(14) profit transfer to 1&1 Telecom Holding GmbH

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 on May 12, 2014

On May 9, 2014, Allianz Global Investors Europe GmbH, Frankfurt am Main, Germany, informed us according to Sec. 21 (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, exceeded the 3% threshold of voting rights on May 8, 2014 and on that day amounted to 3.002% (corresponding to 5,825,289 voting rights). According to Sec. 22 (1) Sentence 1, No. 6 in conjunction with Sec. 22 (1) Sentence 2 of the WpHG, 1.27% of voting rights (corresponding to 2,470,891 voting rights) are attributable to the company.

Publication on December 8, 2014

On December 8, 2014, BlackRock Holdco 2, Inc., Wilmington, Delaware, USA, informed us according to Sec. 21 (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, exceeded the threshold of 3% of voting rights on December 4, 2014 and on that day amounted to 3.003% (corresponding to 6,156,615 voting rights).

1.14% of voting rights (corresponding to 2,342,665 voting rights) are attributable to the company acc. to Sec. 22 (1), Sentence 1, No. 1 of the WpHG. 2.07% of voting rights (corresponding to 4,250,180 voting rights) are attributable to the company acc. to Sec. 22 (1) Sentence 1, No. 6 in conjunction with Sec. 22 (1) Sentence 2 of the WpHG.

BlackRock Holdco 2, Inc. pointed out that the total amount of voting rights does not necessarily correspond to the sum of the individual attributed voting rights. This results from voting rights with multiple allocations within the BlackRock Group.

Publication on December 17, 2014

On December 17, 2014, BlackRock Financial Management, Inc., New York, New York, USA informed us according to Sec. 21 (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, exceeded the threshold of 3% of voting rights on December 15, 2014 and on that day amounted to 3.02% (corresponding to 6,188,908 voting rights).

1.15% of voting rights (corresponding to 2,347,634 voting rights) are attributable to the company acc. to Sec. 22 (1), Sentence 1, No. 1 of the WpHG. 0.02% of voting rights (corresponding to 44,039 voting rights) are attributable to the company acc. to Sec. 22 (1), Sentence 1, No. 6 of the WpHG. 2.06% of voting rights (corresponding to 4,231,936 voting rights) are attributable to the company acc. to Sec. 22 (1) Sentence 1, No. 6 in conjunction with Sec. 22 (1) Sentence 2 of the WpHG.

BlackRock Financial Management, Inc. pointed out that the total amount of voting rights does not necessarily correspond to the sum of the individual attributed voting rights. This results from voting rights with multiple allocations within the BlackRock Group.

Publication on May 19, 2015

Notification of voting rights pursuant to Sec. 25a of the WpHG

We received the following notifications of voting rights pursuant to Sec. 25a WpHG on May 18, 2015:

1. Listed company: United Internet AG, Elgendorfer Straße 57, 56410 Montabaur, Germany
2. Notifier: BlackRock, Inc., Wilmington, Delaware, USA
3. Triggering event: Exceeding threshold
4. Threshold(s) crossed or reached: 5%

5. Date at which the threshold is crossed or reached: May 14, 2015
6. Total amount of voting rights: 5.01% (equals: 10,276,528 voting rights) based on total number of issuer voting rights of: 205,000,000
7. Detailed information on the voting rights proportion: voting rights proportion based on (financial/other) instruments pursuant to Sec. 25 WpHG: 0.05% (equals: 100,000 voting rights) thereof held indirectly: 0.05% (equals: 100,000 voting rights)
voting rights proportions pursuant to Secs. 21, 22 WpHG: 4.96% (equals: 10,176,528 voting rights)
8. Detailed information on (financial/other) instruments pursuant to Sec. 25a WpHG:
Chain of controlled undertakings:
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
-

Publication on May 22, 2015

Correction of a publication according to Sec. 26 (1) WpHG on May 18, 2015 with the objective of Europe-wide distribution

On May 15, 2015, BlackRock, Inc., Wilmington, Delaware, USA, informed us according to Sec. 21 (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, exceeded the 5% threshold of voting rights on May 13, 2015 and on that day amounted to 5.01% (corresponding to 10,267,236 voting rights). According to Sec. 22 (1) Sentence 1, No. 1 WpHG, 1.53% of voting rights (corresponding to 3,143,206 voting rights) are attributable to the company.

0.002% of voting rights (this corresponds to 4,856 voting rights) are attributed to the company in accordance with Sec. 22, para. 1, Sentence 1, No. 2 WpHG in conjunction with Sentence 2 WpHG. According to Sec. 22 (1) Sentence 1, No. 6 in conjunction with Sentence 2 WpHG, 3.76% of voting rights (corresponding to 7,701,164 voting rights) are attributable to the company.

Please note that the stated total does not necessarily equal the total of detailed attributable voting rights: this is due to the fact that voting rights are attributed several times within the BlackRock company structure.

Correction of a publication according to Sec. 26 (1) WpHG on May 19, 2015 with the objective of Europe-wide distribution

On May 18, 2015, BlackRock, Inc., Wilmington, Delaware, USA, informed us according to Sec. 21 (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, fell below the 5% threshold of voting rights on May 14, 2015 and on that day amounted to 4.96% (corresponding to 10,176,528 voting rights). According to Sec. 22 (1) Sentence 1, No. 1 WpHG, 1.49% of voting rights (corresponding to 3,058,387 voting rights) are attributable to the company. 0.001% of voting rights (this corresponds to 2,382 voting rights) are attributed to the company in accordance with Sec. 22, para. 1, Sentence 1, No. 2 WpHG in conjunction with Sentence 2 WpHG. According to Sec. 22 (1) Sentence 1, No. 6 in conjunction with Sentence 2 WpHG, 3.71% of voting rights (corresponding to 7,606,937 voting rights) are attributable to the company.

Please note that the stated total does not necessarily equal the total of detailed attributable voting rights: this is due to the fact that voting rights are attributed several times within the BlackRock company structure.

Correction of a publication according to Sec. 26 (1) WpHG on May 18, 2015 with the objective of Europe-wide distribution

We received the following notifications of voting rights pursuant to Sec. 25a WpHG on May 14, 2015:
1. Listed company: United Internet AG, Elgendorfer Straße 57, 56410 Montabaur, Germany
2. Notifier: BlackRock, Inc., Wilmington, Delaware, USA
3. Triggering event: Exceeding threshold
4. Threshold(s) crossed or reached: 5%
5. Date at which the threshold is crossed or reached: May 12, 2015
6. Total amount of voting rights: 5.003% (equals: 10,256,414 voting rights) based on total number of issuer voting rights of: 205,000,000
7. Detailed information on the voting rights proportion: voting rights proportion based on (financial/other) instruments pursuant to Sec. 25 WpHG: 0.00% (equals: 0 voting rights) thereof held indirectly: 0.00% (equals: 0 voting rights)
voting rights proportion pursuant to Secs. 21, 22 WpHG: 4.996% (equals: 10,241,957 voting rights)
8. Detailed information on (financial/other) instruments pursuant to Sec. 25a WpHG:
Chain of controlled undertakings:
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

ISIN or code of (financial/other) instrument: contract of difference
Due: -
Expired: -

Notification of voting rights pursuant to Sec. 25a of the WpHG

We received the following notifications of voting rights pursuant to Sec. 25a WpHG on May 21, 2015:
1. Listed company: United Internet AG, Elgendorfer Straße 57, 56410 Montabaur, Germany
2. Notifier: BlackRock, Inc., Wilmington, Delaware, USA
3. Triggering event: Falling below threshold
4. Threshold(s) crossed or reached: 5%
5. Date at which the threshold is crossed or reached: May 19, 2015
6. Total amount of voting rights: 4.99% (equals: 10,220,033 voting rights) based on total number of issuer voting rights of: 205,000,000
7. Detailed information on the voting rights proportion: voting rights proportion based on (financial/other) instruments pursuant to Sec. 25 WpHG: 0.05% (equals: 100,000 voting rights) thereof held indirectly: 0.05% (equals: 100,000 voting rights)

voting rights proportion pursuant to Secs. 21, 22 WpHG: 4.94% (equals: 10,120,033 voting rights)
8. Detailed information on (financial/other) instruments pursuant to Sec. 25a WpHG:
Chain of controlled undertakings:
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
-

Notification of voting rights pursuant to Sec. 25a of the WpHG

We received the following notifications of voting rights pursuant to Sec. 25a WpHG on May 21, 2015:

1. Listed company: United Internet AG, Elgendorfer Straße 57, 56410 Montabaur, Germany
2. Notifier: BlackRock, Inc., Wilmington, Delaware, USA
3. Triggering event: Falling below threshold
4. Threshold(s) crossed or reached: 5%
5. Date at which the threshold is crossed or reached: May 19, 2015
6. Total amount of voting rights: 4.99% (equals: 10,234,603 voting rights) based on total number of issuer voting rights of: 205,000,000

7. Detailed information on the voting rights proportion: voting rights proportion based on (financial/other) instruments pursuant to Sec. 25a WpHG: 0.01% (equals: 14,570 voting rights) thereof held indirectly: 0.01% (equals: 14,570 voting rights)
voting rights proportion based on (financial/other) instruments pursuant to Sec. 25 WpHG: 0.05% (equals: 100,000 voting rights) thereof held indirectly: 0.05% (equals: 100,000 voting rights)
voting rights proportion pursuant to Secs. 21, 22 WpHG: 4.94% (equals: 10,120,033 voting rights)
8. Detailed information on (financial/other) instruments pursuant to Sec. 25a WpHG:
Chain of controlled undertakings:
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

ISIN or code of (financial/other) instrument: contract of difference
Due: -
Expired: -

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.

AUDIT OPINION OF THE INDEPENDENT AUDITOR

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report for the group and the company of United Internet AG, Montabaur, for the fiscal year from January 1 to December 31, 2015. The maintenance of the books and records and the preparation of the annual financial statements and management report for the group and the company in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report for the group and the company based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report for the group and the company. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements [and supplementary provisions of the partnership agreement/articles of incorporation and bylaws] and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report for the group and the company is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks relating to future development.

Eschborn/Frankfurt am Main, March 15, 2016
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Grote
Wirtschaftsprüfer
[German Public Auditor]

Kemmerich
Wirtschaftsprüfer
[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 11, 2016

Board of Management

Ralph Dommermuth Robert Hoffmann Frank Krause Jan Oetjen Martin Witt