Annual Report 2008

united internet

United Internet at a glance

		2008	2007
Income Statement			
Sales	€ millions	1,649.6	1,487.4
EBITDA	€ millions	318.8	308.8
Net Income	€ millions	–121.5*	155.4
Balance Sheet			
Current assets	€ millions	235.0	243.7
Non-current assets	€ millions	867.0	970.3
Shareholders' equity	€ millions	145.6	383.9
Total assets	€ millions	1,102.0	1,214.0
Employees			
Germany	number	3,618	3,127
Abroad	number	947	827
Total	number	4,565	3,954
Personnel expenses	€ millions	171.8	145.8
Share			
Share price at year end (Xetra)	€	6.29	16.65
Earnings per share	€	–0.52*	0.64

Quarterly development	**Q1 2008 € millions**	**Q2 2008 € millions**	**Q3 2008 € millions**	**Q4 2008 € millions**	**Q4 2007 € millions**
Sales	402.0	412.4	407.4	427.8	414.3
EBITDA	83.2	88.6	77.7	69.3	73.3
Net income	45.1	45.2	–103.8*	–108.0*	40.1

* The figures for 2008 include total negative, non-recurring and non-cash effects of € 275.4 million – of which € 145.6 million refer to Q3 and € 129.8 million to Q4.

United Internet comprises a family of strong and attractive internet brands. Each one stands for added value and success. These brands are tailored to our relevant target groups and fully utilize available market potential.

Segments and Brands

Products

Brand	Products / Services	Target Group
GMX	Portal Information management	Consumers
WEB.DE	Portal Information management	Consumers
1&1	Portal Information management Webhosting, Internet access	Discerning private users and small offices/home offices (SoHos)
InterNetX	Webhosting products as white label	Internet service provider in Germany
fasthosts	Webhosting products as white label	Internet service provider in the United Kingdom and USA

2008 in Figures

General
Information Management applications, Hosting solutions and Internet Access products for consumers, small offices/home offices.
Portal marketing for e-commerce providers and advertisers

Customer contracts: 7.95 million of which 1.36 million in Information Management, 3.62 million in Hosting and 2.97 million in Internet Access
Portals: No. 1 in Germany with 19.4 million unique visitors per month
Webhosting: Global market leader with 3.62 million contracts, of which 1.93 million outside Germany
DSL: No. 3 in Germany with 2.82 million contracts

Brands
GMX: No. 5 among German portals with 8.5 million unique visitors
WEB.DE: Second highest reach of all German websites with 12.9 million unique visitors
1&1: No. 3 in German DSL market and one of the largest hosting companies
InterNetX: No. 1 in German white-label business with over 19,000 resellers
Fasthosts: No. 1 in UK white-label business with over 5,700 resellers

Online Marketing

Brand	Products / Services	Target Group
AdLINK GROUP AdLINK MEDIA	Display marketing	Advertisers
AdLINK GROUP affilinet	Affiliate marketing	Advertisers
AdLINK GROUP sedo	Domain marketing	Advertisers

2008 in Figures

General
Sales and marketing solutions for advertisers
Display marketing via AdLINK Media
Affiliate marketing via affilinet
Domain marketing via Sedo

Brands
AdLINK Media: online advertising network with 10.3 billion ad impressions per month, thus Europe's leading supplier of digital communication solutions
affilinet: Over 470,000 registered affiliate websites and 1,500 affiliate programs, thus generating over 6.1 billion ad impressions per month
Sedo: administers 15.3 million domains for sale and markets 6.2 million parked domains

With more than 7.9 million customer contracts, **United Internet** is a leading Internet Service Provider. Drawing on over 15 years' experience in the online business, we are well positioned on the market with brands in two business segments: Products and Online Marketing. We reached new record levels in our operating business once again in 2008 with sales of € 1.65 billion, an EBITDA of almost € 319 million and an EBIT of around € 257 million.

Table of Contents

Dear shareholders, employees and friends of United Internet!

Despite the onset of the global financial and economic crisis in 2008, the past fiscal year was a successful period for United Internet in terms of its operating activities. We achieved organic growth in our business fields and continued to strengthen our market positions in Germany and abroad. All in all, we increased the number of customers in all product lines and improved the reach of our advertising networks. The number of our fee-based customer contracts grew by 800,000 to 7.95 million. We added 380,000 new contracts outside Germany alone, taking the total to 1.93 million customer contracts.

Although we reached new record levels of sales (+10.9%) and EBIT (+8.3%) in our operating business, consolidated net income was burdened by € 275.4 million for non-cash write-downs on investments.

Despite operating gains at Group level, the development of our two business segments “Products” and “Online Marketing” differed greatly in fiscal year 2008.

Thanks to a business model based mainly on electronic subscriptions, our dominant “Products” segment – with the brands 1&1, GMX, WEB.DE, Fasthosts and InterNetX – enjoyed further growth in sales and earnings. However, the reduced spending of our advertising customers in the second half of the year, and especially the fourth quarter, was noticeable in our portal marketing business.

In the “Online Marketing” segment, sales and earnings were already burdened from the beginning of the second quarter by the problematic development of our Domain Marketing business. Changes in the policy and algorithms of our most important partner in the field of search engines have been slowing the development of this business, which still boasted high growth and margins in 2007. Sector sales and earnings were also burdened in the second half of the year by the marked global decline in advertising spending. This, in turn, led to falling prices and margins as a result of fierce competition for the remaining budgets.

In total, consolidated sales of United Internet AG grew by 10.9% in fiscal year 2008, from € 1,487.4 million to € 1,649.6 million (currency adjusted: +12.4% to € 1,671.6 million). Earnings before interest and taxes (EBIT) rose by 8.3%, from € 236.9 million to € 256.6 million.

”We are already No. 1 in many of our target markets in Germany, the rest of Europe and even worldwide in some cases. With the aid of new, innovative products and increased quality standards, we aim to achieve further growth in our existing markets in 2009, as well as in new markets and countries, and to strengthen customer loyalty even further.

Ralph Dommermuth
CEO

Ralph Dommermuth (45) laid the foundation for today’s United Internet AG with the formation in 1988 of 1&1 Marketing GmbH in Montabaur, Germany. He originally offered systemized marketing services for smaller software suppliers. This was followed by additional marketing services for major clients, such as IBM, Compaq and Deutsche Telekom. In 1998 the qualified banker took 1&1 to the stock exchange. It was the first IPO of an internet company in Germany. In 2000, Dommermuth restructured 1&1 as United Internet.

Against a backdrop of greatly reduced stock market prices in 2008 for our strategic investments in freenet (via MSP Holding), Versatel, Drillisch and Goldbach Media, we made non-cash writedowns on the carrying values of the aforementioned companies to their market prices as of December 31, 2008. It was also decided to make further writedowns on the valuations of our non-listed investments. The resulting non-recurring negative effect of € 275.4 million led to net income of € -121.5 million and an EPS of € -0.52. In view of the balance sheet loss in the annual financial statements of our parent company United Internet AG resulting from these writedowns, no dividend will be distributed for the fiscal year 2008.

Thanks to our successful and stable positioning in the growth markets of DSL, Webhosting, Portals and Online Marketing, we continue to expect good opportunities in the medium term. As predicting the future economic development is particularly difficult at present, however, all forecasts are subject to uncertainty.

For the Group as a whole, we expect slight growth in sales for 2009. After reaching new record levels for EBITDA and EBIT in fiscal year 2008, we aim to maintain our key earnings ratios at the prior-year level in fiscal 2009 – despite the weakness of the online advertising sector and further high investments in the future.

We trust you will continue to accompany us along this path.

2008 was marked by high writedowns on our investments but also by new record figures in our operating business. In 2009, we aim to raise sales slightly and to maintain our key earnings ratios EBITDA and EBIT at their prior-year level – despite the weakness of the online advertising sector.

“

Norbert Lang
CFO

Norbert Lang (47) has been a member of the Management Board of United Internet AG since 2000 and responsible for Finance, Controlling, Press/Investor Relations and Human Resources since 2002. He joined 1&1 in 1994. With the foundation of 1&1 Beteiligungen GmbH, Norbert Lang was appointed as Managing Director. In his role as Head of Finance, he accompanied the transformation and realignment of United Internet AG as a management holding company for all Group investments.

Interview with Ralph Dommermuth

Mr. Dommermuth, in 2008 United Internet's share price fell sharply, the DSL market became increasingly difficult and the consolidation of the German DSL market made little progress. How would you judge the past fiscal year 2008?

Dommermuth:
Despite the onset of the financial and economic crisis, fiscal 2008 was a successful year for United Internet with regard to our operations. After all, our key operating ratios reached new record levels – even though we were unable to escape the crisis in online advertising. At the same time, however, we made writedowns on our investments of around € 275 million, which obviously had a devastating impact on net income.

How do you currently view your investments in freenet, Versatel and Drillisch? How do you intend to continue this investment strategy?

Dommermuth:
Obviously, with the power of hindsight you're always wiser. Knowing what we do today, we would probably have stepped back from one or two of our investments, as the purchase price was obviously too high from the current perspective. However, at the time we had good reasons to make these investments, as we make healthy profits in our DSL business and wanted to achieve a strategic positioning in the consolidating market. At the same time, however, we currently do not intend to part with our investments.

The global economy is currently in severe crisis. To what extent is United Internet affected?

Dommermuth:
Compared with many other companies, our business model makes us relatively well equipped to deal with such a situation. With around 8 million subscription-based contracts, we enjoy constant and stable revenue streams which make us relatively immune to the crisis. However, a global recession is bound to leave its mark even on us – especially in the field of online advertising – so that our extremely high growth rates for sales and earnings are now a thing of the past, for the time being.

Many analysts regard your webhosting business as a haven of stability. What is so special about this business?

Dommermuth:
In principle, webhosting is a software business in which we offer domains, storage space, e-mails and many other services for businesses and private users. By standardizing our products, we enjoy economies of scale as customer figures rise – nationally and internationally – while offering our customers considerable added value for a relatively small fee. We believe we can still grow strongly in this segment. One reason is the development of so-called “cloud computing”, whereby applications and data are no longer kept on local computers but on internet servers, the so-called “cloud”. As one of the world’s largest web hosts, with high-security data centers in Europe and the USA, we see excellent growth opportunities.

Which operational areas will United Internet focus on in 2009?

Dommermuth:
In our DSL business, we will continue to drive the conversion of existing customers to complete packages in order to raise customer loyalty. In webhosting, we will launch a new webhosting generation and roll it out successively in our existing markets. Via GMX, we will continue to internationalize our e-mail products in Switzerland, Austria, the UK, France and the USA. In our Online Marketing segment, we will focus on expanding our advertising technologies and extending the reach of our advertising networks. And finally, we will once again intensify our quality and service efforts in 2009.

On the subject of service: in 2008 the press often criticized the service and quality of your DSL business. What do you intend to improve in future?

Dommermuth:
The rapid growth in DSL contracts over the past few years and the migration of customers to complet packages – for which we have used services from 4 different partners since 2008 with different technologies, platforms and interfaces – have meant that not all products, processes and services were 100% technically mature and stable. We have therefore introduced a number of measures to optimize these areas and realigned key target parameters for our services (e.g. connection times, hotline availability and quality). We are currently giving high priority to implementing these measures. We are also in constant dialogue with partners such as Deutsche Telekom and the German Regulatory Authorities, in order to achieve further improvements in the pre-service quality.

What level of customer growth do you expect for 2009?

Dommermuth:
In total, we expect to add around 500,000 customer contracts in 2009. Whereas strong growth in contract figures is expected for the product lines Webhosting and Information Management, we expect only slow growth for our DSL customer base in 2009 – as a result of the consistently high churn rate in resale contracts. In our DSL business, the clear focus this year will be the further migration of our customers to complete packages. We expect growth in this area of around 800,000 contracts.

The Foundation United Internet for UNICEF

We're sharing our success …

… and supporting UNICEF projects around the world.

Foto: UNICEF/ Giacomo Pirozzi

Economic success secures our future – not only for the company and its employees, but also for the major human ideals. Success is not an end in itself but a way of safeguarding our existence – and thus a moral obligation.

We are more than happy to meet this obligation and to share our economic success with those who desperately need help. Together with UNICEF, the United Internet Foundation obviously donates money – but more than this, it also gives us a purpose. It lets others share in our success in order to offer a future perspective for as many people as possible.

Our aim is to promote long-term development projects which secure the supply of clean drinking water, offer better education opportunities and provide support for AIDS orphans.

united internet

unicef
unite for children

Further information at www.united-internet-for-unicef.com

Locations

Germany
Montabaur
Cologne
Duesseldorf
Hamburg
Hanover
Karlsruhe
Munich
Regensburg
Zweibruecken

United Kingdom
Gloucester
London
Slough

Belgium
Brussels

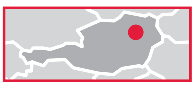
Netherlands
Haarlem

France
Paris
Saargemuend

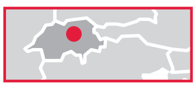
Italy
Mailand

Philippines
Cebu City

Romania
Bukarest



Austria
Wien



Switzerland
Kuesnacht

Croatia
Zagreb

Spain
Madrid

USA
Chesterbrook
Boston

Slovenia
Ljubljana

Corporate Governance Report

United Internet's corporate governance is based on internationally and nationally recognized standards of sound and responsible management. In accordance with Sec. 3.10 of the German Corporate Governance Code, the Management Board and Supervisory Board have prepared the following joint report concerning the corporate governance of United Internet:

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. The Supervisory Board is elected by the Shareholders' Meeting and currently consists of three members. The Supervisory Board is generally elected for a period of five years. Members of the Supervisory Board and Management Board should generally not be older than 70. The Supervisory Board monitors and advises the Management Board in the management of the company. The Supervisory Board regularly discusses business development, planning, strategy and its implementation. Together with the Management Board, it discusses the quarterly and half-year reports before publication and approves annual budgets as well as the annual financial statements of the parent company and the group. In doing so, it also takes the reports of the company's external auditors into account. Its responsibilities also include appointing members of the Management Board as well as determining and regularly monitoring their remuneration.

The Management Board is the body charged with managing the group's operations and currently consists of two persons. It manages operations in accordance with its legal and statutory obligations as well as the rules of procedure approved by the Supervisory Board. It is responsible for preparing the quarterly 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 Annual Shareholders' Meeting is the body which formulates and expresses the interests of the company's shareholders. At the Annual Shareholders' Meeting, the annual financial statements are presented to our shareholders. The shareholders vote on the appropriation of the balance sheet profit and other statutory topics. 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.

Financial disclosures

United Internet provides its shareholders 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 regularly informs investors, analysts and the press about current financial results. In addition, any information which might affect the share price is published in the form of ad-hoc announcements.

As part of our investor relations activities, the company's management team regularly meets with analysts and institutional investors. We also hold analyst and press conferences following the publication of our semi-annual and annual figures. Access to financial information and further economically relevant information about the United Internet Group is provided on our website (www.united-internet.de).

Risk management

The Management Board is responsible for the internal monitoring and risk management system as well as for determining its structure. Principles, guidelines, processes and responsibilities are defined and established in such a way that they guarantee correct and prompt accounting of all business transactions, facilitate early identification of risks and supply a constant flow of reliable information about the company's financial situation for internal and external purposes. The various components of our risk management culture are designed to recognize business risks at an early stage, to control such risks and to secure the company's business objectives; they cannot, however, prevent such risks completely and do not therefore offer absolute protection against loss or fraudulent actions.

Accounting and Auditing

The group's accounts are drawn up according to the principles of the International Financial Reporting Standards (IFRS), whereas 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 for the parent company and the group are audited by independent auditors. The respective auditing company is selected by the Annual Shareholders' Meeting. Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft was elected to audit the annual financial statements for the fiscal year 2008. The Supervisory Board issues the auditing mandate, determines auditing focal points, approves the auditing fee and examines the independence of the auditors.

Remuneration Report

Management Board

The Supervisory Board is responsible for determining the remuneration of Management Board members. The remuneration received by the members of the Management Board of United Internet AG is performance-oriented and consists of fixed and variable elements. In the case of one Management Board member, there is a component providing long-term incentives in the form of a compensation program based on virtual shares (SARs).

The size of the remuneration components is regularly reviewed. 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 sales and earnings figures. The target attainment corridor is generally between 80% to 120%. No bonus is paid below 80% of the agreed target and the bonus calculation ends at 120% of the agreed target. There is no provision for subsequent amendment of the performance targets. There is no minimum guaranteed bonus. There are no retirement commitments from the Company to members of the Management Board.

In fiscal year 2008, remuneration of the two members of the Management Board amounted to € 1,000k (prior-year: € 935k). Of this total, € 600k was fixed and € 400k variable remuneration.

The Chief Executive Officer, Mr. Ralph Dommermuth, received total remuneration of € 511k (prior year: € 442k). Of this total, € 300k (prior year: € 200k) was fixed and € 211k (prior year: € 242k) variable. The Chief Financial Officer, Mr. Norbert Lang, received total remuneration of € 489k (prior year: € 493k). Of this total, € 300k (prior year: € 200k) was fixed and € 189k (prior year: € 293k) variable.

Management Board remuneration in 2008

in €	Fixed component	Variable component	Total
Management Board			
Ralph Dommermuth	300,000	211,000	511,000
Norbert Lang	300,000	189,000	489,000
Total	**600,000**	**400,000**	**1,000,000**

In fiscal year 2008, Mr. Norbert Lang was granted 800,000 virtual stock options (SARs) at an exercise price of € 12.85. The exercise hurdle is 120% of the share price. Payment of value growth is limited to 100% of the calculated share price. When the virtual stock options were granted, their fair value amounted to € 2,384k. The SAR program is described in more detail below, in the section "Stock-based compensation".

Supervisory Board

The members of the Supervisory Board receive compensation consisting of a fixed element and a variable element which depends on the Company's success. The fixed remuneration for an ordinary member of the Supervisory Board amounts to € 20k per full fiscal year. The chairman of the Supervisory Board receives twice the amount attributable to an ordinary member. The variable element for each member of the Supervisory Board, including the chairman, amounts to € 2k for every cent which exceeds the consolidated earnings per share value of € 0.10 for United Internet AG, calculated according to IFRS.

The chairman of the Supervisory Board, Mr. Kurt Dobitsch, received total remuneration of € 40k (prior year: € 112k). Of this total, the fixed component was € 40k (prior year: € 40k). Mr. Michael Scheeren received total remuneration of € 20k (prior year: € 92k). Of this total, € 20k (prior year: € 20k) was fixed. Mr. Kai-Uwe Ricke received total remuneration of € 20k (prior year: € 0k). Of this total, € 20k (prior year: € 0k) was fixed.

Due to the negative EPS figure, there was no variable remuneration in 2008.

Supervisory Board remuneration in 2008

in €	Fixed component	Variable component	Total
Supervisory Board			
Kurt Dobitsch (Chair)	40,000	–	40,000
Kai-Uwe Ricke	20,000	–	20,000
Michael Scheeren	20,000	–	20,000
Total	**80,000**	**–**	**80,000**

Stock-Based Compensation

United Internet AG operates various stock-based compensation programs which enable its managers to participate in the company's success and are aimed at enhancing staff loyalty. These programs are either based on convertible bonds which can be exchanged for shares or on virtual stock options, which may entitle the holder also to cash payments in the case of a corresponding increase in the share price.

One convertible bond can be exchanged for one share, or following the share split of 1:3 in 2006, for 4 shares. On issuance of the convertible bond, the respective employee pays the company the nominal value of the convertible bond. This amount accrues interest during the period of the program. The strike price is the share price at the time of issuance of the convertible bond. After expiry of certain minimum retention periods, employees can exchange their convertible bonds for company shares. Should they decide to buy the share, they must pay the difference between the strike price and nominal value of the convertible bond. The difference between the strike price and the share's prevailing market price represents a taxable gain for employees. The convertible bonds have a maturity of no more than 6 years.

Virtual stock options (so-called 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 (cap).

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, 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. 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 five years.

Detailed information on the company's various stock-based compensation programs is provided in the notes to the consolidated financial statements in this annual report.

Director's Dealings

According to Sec. 15a of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), members of the Management Board of United Internet AG and Supervisory Board 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. The same applies to certain employees with management responsibility and closely related persons. Transactions reported to the Company in fiscal year 2008 were published throughout Europe.

As of December 31, 2008 the members of the Management Board and Supervisory Board held the following share volumes:

Shareholdings and Subscription Rights as of Dec. 31, 2008

	Shareholding (units)	Virtual stock options (SAR, units)
Management Board		
Ralph Dommermuth	92,000,000	–
Norbert Lang	576,128	800,000
Supervisory Board		
Kurt Dobitsch (Chair)	–	–
Kai-Uwe Ricke	–	–
Michael Scheeren	700,000	–

Annual Declaration of Conformity acc. to Sec. 161 AktG

On June 6, 2008 the seventh version of the German Corporate Governance Code was completed and published by the government's electronic Federal Gazette on August 8, 2008. In March 2009, the Management Board and Supervisory Board of United Internet AG submitted their current declaration of conformity according to Sec. 161 of the German Stock Corporation Act (AktG). The declaration of conformity can be accessed at www.united-internet.de, Investor Relations, Corporate Governance and was published in the government's electronic Federal Gazette on March 26, 2009. The corporate governance principles of United Internet AG anchored in the company's statutes (including its articles and rules of procedure), and thus our current and expected future behavior, comply with the recommendations of the German Corporate Governance Code in the version dated June 6, 2008, with the following exceptions:

D&O Deductibles
Should a company take out a so-called D&O insurance policy (directors and officers' liability insurance) for its Management Board and Supervisory Board, the German Corporate Governance Code recommends that a suitable deductible be agreed. The D&O insurance policy of United Internet AG does not have any arrangement for deductibles. United Internet does not plan to change its current D&O policies.

Committees
The German Corporate Governance Code recommends that the Supervisory Board set up an Audit Committee which, in particular, should handle issues of accounting, risk management, compliance, the necessary independence required of the auditor, the issuing of the audit mandate to the auditor, the determination of auditing focal points and the fee agreement. The German Corporate Governance Code also recommends that the Supervisory Board set up a Nomination Committee, which should comprise only representatives of the shareholders and should suggest suitable candidates to the Supervisory Board for its election proposals at the Annual Shareholders' Meeting. The Supervisory Board of United Internet AG currently consists of three members: in addition to their other duties, the members also deal as a group with the above-mentioned topics. The Supervisory Board's rules of procedure state that committees should only be formed if there are more than three members of the Supervisory Board.

Supervisory Board Compensation
The German Corporate Governance Code recommends that the compensation of Supervisory Board members should also take into account the exercising of the Chair and Deputy Chair positions in the Supervisory Board as well as the chair and membership in committees. In the case of United Internet only the Chair position in the Supervisory Board is considered – as long as the Supervisory Board consists of no more than three members and no committees are formed.

Publication of reports
The German Corporate Governance Code recommends that the consolidated financial statements should be published 90 days after the end of the reporting period. As already announced in the Financial Calendar 2008, United Internet AG published its consolidated financial statements for fiscal year 2007 on April 4, 2008.

Montabaur, March 2009

For the
Management Board
Ralph Dommermuth

For the
Supervisory Board
Kurt Dobitsch

Report of the Supervisory Board for Fiscal Year 2008

The members of the Supervisory Board (elected until 2010) are:

- **Kurt Dobitsch**, self-employed entrepreneur, 54 (chair)
- **Kai-Uwe Ricke**, Managing Partner, 47
- **Michael Scheeren**, qualified banker, 51

The Supervisory Board of United Internet AG fulfilled its legal and statutory consultation and control duties during the period under review. We regularly advised the Management Board and monitored their management of the Company. We were directly involved in all decisions of fundamental significance for the Company. The Management Board provided us with regular and comprehensive reports, both written and oral, about all relevant questions concerning corporate planning and strategic development, as well as the progress of business, the status of the Company, its exposure to risk, the risk management system, and issues of compliance. The Management Board discussed the Company's strategic alignment with us. Moreover, the Management Board presented the Supervisory Board with a comprehensive report every quarter about the state of business, the development of sales and earnings, and the position of the Company and its business policy. These reports were made available to all members of the Supervisory Board. On the basis of these reports on United Internet AG, the Supervisory Board was able to monitor all important business transactions and to provide advice where necessary. The chairman of the Supervisory Board was also kept regularly informed by the Management Board on all business activities, also between the meetings, and gave advice on questions of business policy.

The Supervisory Board held five meetings during fiscal year 2008, in which the Management Board informed us in detail about the business situation and the development of the Company and Group, as well as concerning significant business events. The meetings were each attended by all members. In addition, further resolutions were adopted by means of circular written consent. For example, on May 30, 2008 approval was given to the issue of 400,000 virtual stock options to the management board members of Group companies as part of the SAR Plan 2008, on July 16, 2008 approval was given for a promissory note loan amounting to € 150 million, and on December 12, 2008 the acquisition of united-domains AG, Starnberg, was approved. The Supervisory Board consists of three members and did not form any committees. The Supervisory Board is not aware of any conflict of interest of one of its members.

- **Meeting on January 29, 2008:**

This Supervisory Board meeting focused on Group planning for fiscal year 2008 and the sales and earnings targets of the Group's subsidiaries. Together with the Management Board, various investment options were discussed and an investment in the media holding company virtual minds AG and in the BW2 Group AG was adopted. It was also decided to raise contributions to the European Founders Fund GmbH & Co. Beteiligungs KG No. 1 and 2 and to expand the partnership with the Samwer brothers by jointly founding European Founders Fund GmbH & Co. Beteiligungs KG No. 3. In connection with a contract extension for the D&O insurance policy, the Management Board explained to us the newly negotiated conditions.

- **Meeting on April 2, 2008:**

This Supervisory Board meeting focused on the presentation of the annual financial statements and the consolidated financial statements for fiscal 2007 of United Internet AG, as well as the joint management report for fiscal 2007 and the audit reports and explanations of the chief auditor. In the presence of the appointed chief auditor, Ernst & Young AG Wirtschaftsprüfungsgesellschaft, the audited annual financial statements for 2007 of United Internet AG and audited consolidated financial accounts according to IFRS were approved. At the same meeting, the Supervisory Board and Management Board adopted a resolution to recommend to the Annual Shareholders' Meeting the payment of a dividend of 20 cents per share. The invitation and agenda for the Annual Shareholders' Meeting in May and the remuneration report of the chairman of the Supervisory Board was discussed with the Management Board and adopted. The target achievement of the Management Board in the past year was adopted and the payment of the variable remuneration elements approved by the Supervisory Board. The Management Board reported on the course of business so far in fiscal 2008, the current business situation in general, and the status of strategic cooperation talks. The Management Board then reported to the Supervisory Board on the current development of the United Internet for UNICEF Foundation.

- **Meeting on May 27, 2008:**

The meeting was held directly after the Annual Shareholders' Meeting of United Internet AG in Frankfurt am Main. At the meeting, various strategic options in the core business fields of United Internet AG were discussed and evaluated together with the Management Board. As part of the further internationalization of the Group's hosting business, it was decided to acquire the British reseller Dollamore Ltd., Melbourne/UK, via Fasthosts Ltd.

- **Meeting on August 12, 2008:**

The main topic of this meeting was a detailed discussion of the interim report as of June 30, 2008 together with the Management Board. In connection with the forthcoming extension of the leases for the Montabaur facilities, the Management Board presented the current leases and explained the current rental situation. Due to the indicated need for office space, the Supervisory Board approved an extension of the current leases and the renting of further floor space.

- **Meeting on November 13, 2008:**

In addition to the Management Board's report on Company events as of September 30, 2008 and a discussion of the 9-month report, the forecast for fiscal year 2008 was also discussed in detail. The Management Board then informed us about the current finance situation and the interest hedging strategy it had prepared. As part of the new Corporate Governance Code, the government commission adopted several changes to the Code as of June 6, 2008. The Management Board explained the relevant changes for the Company. The Supervisory Board was informed about the status of current cooperation talks of United Internet AG and its subsidiaries and the development of the European Founders Funds. The Management Board also reported on the new revised service contracts for Management Board members of 1&1 Internet AG and the issue of SARs (Stock Appreciation Rights) to Management Board members of 1&1 Internet AG and Group employees.

Corporate Governance

The relevant changes arising from the Code released on June 6, 2008 were discussed together with the Management Board in the meeting of November 13, 2008.

Together with the Management Board, we submitted the current declaration of conformity with Sec. 161 AktG regarding the recommendations of the Government Commission on the German Corporate Governance Code in March 2009 and made it permanently accessible to the Company's shareholders on the website and the government's electronic Federal Gazette. In this connection, we also considered the compensation system for the Management Board. The Management Board reports separately on the corporate governance strategy of United Internet AG, also on behalf of the Supervisory Board, in the Corporate Governance Report.

Discussion of the annual financial statements 2008 for the Company and the Group

The Annual Shareholders' Meeting of United Internet AG on May 27, 2008 elected Ernst & Young AG Wirtschaftsprüfungsgesellschaft, based in Eschborn/Frankfurt am Main, as auditors for the fiscal year 2008. Ernst & Young audited the accounting system, the annual financial statements of United Internet AG, the consolidated financial statements according to IFRS and the combined management report for United Internet AG and the Group for the fiscal year 2008. As part of its audit of the annual financial statements, Ernst & Young also audited and analyzed key aspects of the Company's risk management system. The auditor awarded an unqualified certificate in each case.

The Supervisory Board satisfied itself as to the independence of the auditors and received a written declaration to this end.

The aforementioned annual financial statement documents, the proposal for the appropriation of profit and the auditor's report were presented to all members of the Supervisory Board in due time. The chief auditor attended the relevant meeting of the Supervisory Board on March 25, 2009, where he answered the Supervisory Board's questions and gave further explanations where necessary. Following its own inspection, the Supervisory Board came to the conclusion that the annual financial statements, the combined management report, the consolidated financial statements and the auditor's report gave no cause for objections. With a resolution on March 25, 2009, the Supervisory Board approved the annual financial statements of United Internet AG, as prepared by the Company on March 16, 2009 and the consolidated annual financial statements according to IFRS for fiscal 2008, also prepared by the Company on March 16, 2009. The annual financial statements are therefore adopted pursuant to Sec. 172 AktG. The Supervisory Board supports the proposal of the Management Board concerning the allocation of retained earnings.

The Supervisory Board also examined the report prepared by the Management Board about relations with affiliated companies (Dependent Company Report), for which the auditors awarded the following certificate:

"On the basis of our statutory examination and evaluation, we can confirm that

1. the details made in the report are accurate,
2. the company was compensated adequately for each transaction mentioned in the report,
3. in the case of those measures mentioned in the report, there is no evidence to suggest a significantly different assessment to that provided by the Management Board."

The Supervisory Board examined the Dependent Company Report as prepared by the Management Board and approves its content. We also concur with the verdict of the chief auditor's examination. On the basis of our final examination, we have no objections to raise regarding the Management Board's declaration at the end of the Dependent Company Report.

Changes in the Supervisory Board

Mr. Bernhard Dorn, a member of our Supervisory Board since May 2000, died on February 10, 2008. We owe him our sincere gratitude and will miss him greatly.

Following a proposal by the Supervisory Board and Management Board, Mr. Kai-Uwe Ricke was appointed by the district court of Montabaur as a further member of the Company's Supervisory Board on February 20, 2008. The court appointment was completed before the next Annual Shareholders' Meeting, which was held on May 27, 2008. The shareholders selected Mr. Kai-Uwe Ricke to the Supervisory Board for the period until the Annual Shareholders' Meeting 2010.

Montabaur, March 25, 2009

For the Supervisory Board
Kurt Dobitsch

Consolidated Income Statement
Quarterly development in € millions*

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2007
Sales	402.0	412.4	407.4	427.8	414.3
Cost of sales	–242.5	–245.4	–249.6	–269.5	–256.9
Gross profit	**159.5**	**167.0**	**157.8**	**158.3**	**157.4**
Selling expenses	–66.8	–65.8	–73.2	–72.8	–70.3
General administrative expenses	–19.8	–20.6	–19.1	–24.1	–21.0
Other operating income / expense	3.0	0.5	4.3	–1.0	–7.8
Amortization of intangible assets resulting from company acquisitions	–5.5	–5.5	–5.6	–4.7	–5.6
Amortization of goodwill	0.0	0.0	0.0	–9.2	0.0
Operating result	**70.4**	**75.6**	**64.2**	**46.5**	**52.7**
Financial result	–5.4	–5.3	–7.3	–11.7	–2.1
Writedowns on investments	0.0	0.0	–22.5	–19.9	0.0
Result from at-equity companies	–0.2	–4.8	–122.2	–107.0	1.9
Pre-tax result	**64.8**	**65.5**	**–87.8**	**–92.1**	**52.5**
Income taxes	–19.7	–20.3	–16.0	–15.9	–12.4
Net income (from continued operations)	**45.1**	**45.2**	**–103.8**	**–108.0**	**40.1**
Result from discontinued operations	0.0	0.0	0.0	0.0	–0.2
Net income (after discontinued operations)	**45.1**	**45.2**	**–103.8**	**–108.0**	**39.9**
Attributabel to					
minority interests	0.4	0.2	0.0	–1.8	1.1
shareholders of United Internet AG	44.7	45.0	–103.8	–106.2	38.8

*This schedule is not part of the Management Report and thus unaudited.

Our High-performance Data Centers

The expectations of our customers continue to grow: with the development of innovative new products there is also a growing need for greater bandwidth, above all for data-hungry multimedia applications. In order to be equipped to meet future needs, we have once again expanded the bandwidths of our high-performance data centers in Germany, Europe and the USA.

Our Strategy

The internet has firmly established itself as a universal medium for information, communication, entertainment and e-business. Broadband access is the motor driving the information and knowledge society. The popularity of DSL telephony and the growing integration of varying services into a multi-functional, all-in-one package including moving images (internet TV) are clear signs of this development.

The internet is thus developing into a universal infrastructure which can satisfy all information, entertainment and communication needs through a single household connection – and at the same time act as an effective sales channel. Portals pool services and content according to specific target group profiles and represent a universal home base within the internet.

This is exactly our vision: to supply private and commercial users with market-oriented information, entertainment and communication products from our “Internet Factory” via increasingly powerful broadband connections.

United Internet is active in markets offering good growth potential. With over 7.9 million customer contracts, we are a leading domestic and global player. We can quickly launch innovative internet products at reasonable prices. Swiftly and flexibly.

In the Product Segment, our information management, webhosting and internet access products are directed at private users, small offices and small to mid-size enterprises. These groups are served directly by the brands GMX, WEB.DE and 1&1. In early 2009, we also acquired a further well-known brand in the German domain and registry business: united-domains. In addition to our direct sales activities, we also market our webhosting products as white-label packages via the brands InterNetX (in Germany) and Fasthosts (in the UK and the USA). Other ISPs then market these products under their own name and for their own account. We also offer our own high-reach portals as a sales and marketing platform via the United Internet Media brand.

We are represented in the Online Marketing segment by the brands AdLINK Media, affilinet and Sedo. We market third-party domains and websites, offering them to advertisers and agencies as online platforms for their sales and marketing activities: the product portfolio ranges from Display Marketing (AdLINK Media) to Affiliate Marketing (affilinet) and Domain Marketing (Sedo).

United Internet's growth opportunities are clearly apparent: increasingly powerful broadband connections will enable new and more sophisticated value-added services. This trend is illustrated by new internet-based applications for end users and companies – often referred to as Software as a Service (SaaS) or Cloud Computing. With over 10 years experience as a web host and application provider, United Internet is at the cutting edge of this development.

Due to the almost complete automation of our business processes, costs and customer growth have been effectively separated. In other words, every new customer incurs proportionately lower costs. This enables us to utilize economies of scale and make our company even more efficient. The growing spread of broadband connections and flat rate tariffs also means more business for our Online Marketing segment. As users are now online more frequently and for longer periods, the internet is becoming increasingly attractive for advertisers. It also means our brands can use increasingly data-intensive formats, such as video clips, for internet campaigns.

Product Segment

Innovative products in growing markets

Broad spectrum of products

United Internet offers a wide range of innovative internet products. Our customers sign mostly subscription contracts with us based on fixed monthly fees and variable, volume-based charges. This business model deliberately differentiates us from those suppliers which focus on internet-by-call or customized solutions.

We offer three product lines: Information Management with e-mail solutions, messaging, address management, Pocket Web and 0700 numbers; Webhosting with domains, home pages, dedicated and virtual servers, and e-shops; as well as Internet Access with DSL (including internet telephony, video-on-demand and mobile phone calls), narrowband and mobile internet. These products are mainly marketed via our core brands GMX, WEB.DE and 1&1 – and in future also via our domain specialist “united-domains” acquired in early March 2009. These strong brands enable us to reach a mass market and target specific customer groups. In addition to our end-user business, we also market our webhosting products via the InterNetX and Fasthosts brands as white-label packages to other ISPs, which in turn market them under their own name and for their own account.

Our Internet Factory

At the heart of our business model is our “Internet Factory”, where we apply the mechanisms of rationalized production. Our highly efficient development departments design products which represent the backbone of the online business. Our “Internet Factory” enables us to extend our product lines almost at will, as well as to bundle them, scale them – and export them. One success factor for our strong international growth.

A further recipe for success is our depth of production. Wherever it makes good business sense, we cover the entire value chain – from the technological base to self-developed software products, effective sales and marketing and active customer support.

United Internet’s business model offers tremendous benefits: the contractual basis of our subscriptions secures the long-term stability of sales and earnings. And our own in-house product development and marketing help us launch innovations faster than most competitors. As a result, we have become a byword throughout the world for high-performance and innovative webhosting products. Economies of scale represent a further key concept for us. Every new customer enhances the profitability of our “Internet Factory”. Investments in our factory have

GMX targets the mass market with e-mail and messaging products. Over 8 million active users per month make GMX also to one of Germany's leading portals. In addition to its free e-mail accounts, GMX also offers fee-based, value-added services.

With around 13 million active internet users per month, **WEB.DE** is the No. 2 on the German portal market. WEB.DE also offers free basic services as well as fee-based products and services, including the popular WEB.DE Club.

1&1 is the right address for discerning private users and business customers looking for Information Management, Webhosting and Access solutions. 1&1 is No. 3 in Germany's DSL sector and the world's leading hosting company, active in 6 countries.

been made and products developed in the form of software-based, value-added internet services. Now it is a question of utilizing them as fully as possible. The greater the number of customers using products developed and produced at our "Internet Factory", the greater our profit will be. A further advantage is our target-group-guided marketing. Every United Internet customer gets the exact product he needs. This is made possible by our established brands and, in some cases, exclusive sales channels. And finally, exportability is a further trump card for us. Our products can often be used anywhere in the world and work on the same principle in Frankfurt as they do in London, Paris or New York.

Our brands not only generate revenues from subscriptions; an increasing proportion of income also results from our online advertising and e-commerce activities. United Internet Media, the marketing company for our GMX, WEB.DE and 1&1 portals and our shopping portal SmartShopping.de, provides advertisers and agencies in Germany with everything they desire. This includes a still unmatched reach of almost 50% among German internet users, as well as high-quality, targeted marketing and innovative advertising instruments. Our family of brands provides a unique level of market coverage in Germany.

Growth in stable markets

According to the study "LIFE – Digitales Leben", published in late February, the trend toward broadband connections will continue. The experts forecast growth to 36 million broadband connections in Germany by 2015 and data transmission speeds of over 100 Mbit/s in some cases. The experts also expect mobile broadband connections (UMTS) to quadruple to 41 million by 2015.

The sector association BITKOM forecasts that the German market for fixed-line internet access will grow by 4.2% to € 13.8 billion in 2009, thus reaching a new record level. Despite the economic slump, it forecasts that sales with private internet access alone will grow by 7.5% to € 8.8 billion in 2009.

InterNetX and **Fasthosts** represent the reselling business of the United Internet Group. The brands market our webhosting products as white-label packages to other ISPs, which market them under their own name and for their own account.

InterNetX operates in Germany and Fasthosts in the UK and the USA. The companies attended more than 25,000 resellers.

United Internet Media markets the portals of the United Internet Group. With a reach of over 19 million unique users – and thus almost 50% of all Germans online – United Internet Media is Germany's leader marketer.

Market researchers also predict continuing growth for the webhosting industry. Gartner and IDC forecast annual growth rates of 15% and 16% until 2010. In their European Managed Webhosting Forecast of October 2007, the experts of IDC predicted growth of 10.4% to USD 4.6 billion in 2009 – in the B-to-B hosting sector alone. Good growth opportunities are forecast for all European markets in which we operate: Germany (+8.4%), the UK (+10.4%), France (+9.9%), Austria (+11.3%) and Spain (+12.4%). New web-based services – subsumed under the terms "software-as-a-service" and "cloud computing" – will further strengthen this "outsourcing trend" (toward internet-based and away from PC-based applications).

The online advertising market is also expected to continue its strong growth – although a temporary but significant downturn is expected in 2009 as a result of the global economic problems.

The overall importance of online advertising in the total advertising mix will continue to rise. The "Marketers' Internet Ad Barometer 2008" report shows that eight out of ten European advertisers will invest more heavily in online advertising in the coming years. Almost three quarters of all advertisers questioned in Europe (73% compared with 52% in 2006) use the internet increasingly as an advertising medium. Over one third of these deciders regard the internet as an essential channel for their marketing. In 2006 this proportion was just 17%. 82% of those companies which raised their online advertising budget in 2008, moved part of their media budget from print (40%), TV (39%) and direct marketing (32%) to the internet.

Although online advertising will continue to grow in importance in Germany, it will not be able to escape the effects of the general economic situation. The OVK's growth forecast for 2009 is thus much more conservative than in previous years. The online experts total growth of 10% to just over € 4 billion.

As one of Germany's largest DSL providers, as the leading provider of online advertising in Germany, and finally as the world's leading supplier of complex and data-intensive hosting applications, United Internet therefore benefits from these market trends in several ways.

Online Marketing

Great prospects for Online Marketing

Digital marketing and sales solutions for advertisers

The continuing popularity of the internet has provided many advertisers with a new and highly effective platform to display their wares. Online marketing is becoming an increasingly important market. United Internet offers a variety of online marketing and sales solutions in its Online Marketing segment: Display Marketing via AdLINK Media, Affiliate Marketing via affilinet and Domain Marketing via Sedo. In contrast to the marketing of our own portals in the “Product” segment, this segment focuses mainly on the marketing of third-party domains and websites – in 13 European nations and the USA.

AdLINK Media is one of Europe’s largest Display Marketing providers. The backbone of this business segment is an online advertising network, consisting of selected and highly frequented websites. With this network, AdLINK reaches over 90 million users in all the relevant European markets. Around 10.3 billion ad impressions are marketed per month. Advertising space is booked by domestic and international clients, who use it for branding purposes or direct product sales.

Under the motto “Successful Together”, **affilinet** operates an affiliate marketing platform on which suppliers of affiliate programs and website owners (=affiliates) can meet. The website operators currently offer some 6 billion ad impressions per month. The 1,500 affiliate program operators include numerous major-name companies, such as ebay, DocMorris, Debitel, Sixt, mobile.de and Neckermann. affilinet handles the marketing, administration and billing of the programs and profits from the contacts initiated via the network on a purely success-oriented basis. affilinet is represented on Europe’s most important e-commerce markets: Germany, France, Spain, the UK and the Netherlands.

Sedo operates the global domain trading platform “sedo.com”, which currently trades some 15 million domains. Sedo is thus the global market leader in the trading of “second-hand” internet domains. Sedo also offers the possibility to “park” unused domains, i.e. Sedo markets these addresses to advertisers on behalf of the domain owners. Sedo takes a share of the revenues generated from marketing. Domain parking is equally interesting for domain owners and advertisers as the automated process offers owners added value in the form of additional advertising revenue, while advertisers generally only pay for contacts actually generated. Sedo serves customers in over 200 countries from its offices in Germany, the USA, and the UK.

Great potential for online marketing

The marketing of third-party domains and websites is subject to the same conditions as the marketing of our own portals: the online advertising market has developed into a dynamic growth market with tremendous growth potential in the coming years.

While the proportion of spending on classic media formats stagnated or fell in Germany in 2008, the growth of online advertising continued – despite the adverse economic conditions. In 2008, online advertising accounted for 14.8% of the total advertising market – an increase of 2.7% over 2007. As an advertising medium, the internet has thus gained over 10 percentage points within the past four years, at the expense of classic advertising media.

The Share

As for almost all listed companies, 2008 was also a difficult year on the stock exchange for United Internet AG. The stock markets were heavily influenced by the financial crisis and the global economic downturn it caused. The United Internet AG share was unable to escape this market turbulence and suffered strong losses, especially in the second half of 2008. The slump in online advertising, slower growth in our Product segment and the prospect of possible writedowns on our strategic investments overshadowed the stable progress of our operating business. The United Internet AG share closed the year at € 6.29, compared with € 16.65 in the previous year.

The United Internet share was once again one of the most liquid in the TecDAX index in 2008. In fiscal 2008 an average of 1.08 million shares were traded daily (prior year: 0.97 million) with an average value of € 11.5 million (prior year: € 13.9 million) via the XETRA electronic computer trading system.

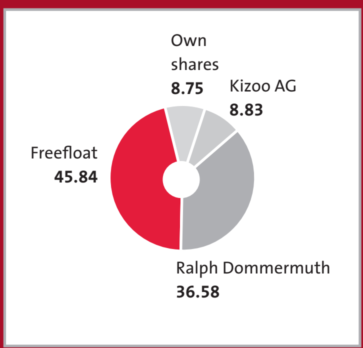
Share type	Registered common stock with a notional share of capital stock of € 1.00 each	
ISIN	DE0005089031	
Ticker symbol	Stock Exchange	
	Frankfurt	UTDI
	Reuters	UTDI.DE
	Bloomberg	UTDI GR
Segment	Prime Standard	
Index	TecDAX Stoxx-600 GEX	

Shareholdings and subscription rights of the Management Board and Supervisory Board as of December 31, 2008

	Shareholding (in units)	Subscription rights (in units)
Management Board		
Ralph Dommermuth	92,000,000	–
Norbert Lang	576,128	800,000
Total	**92,576,128**	–
Supervisory Board		
Kurt Dobitsch (Chair)	0	–
Kai-Uwe Ricke	0	–
Michael Scheeren	700,000	–
Total	**700,000**	–

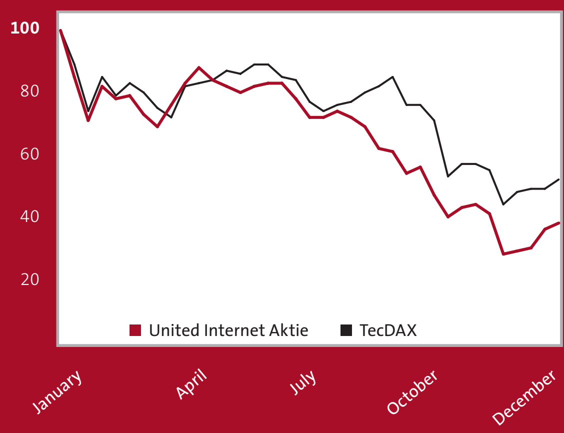
Shareholder structure (as of Dec. 31, 2008)

in %



Development 2008 indexed

in %



Annual Shareholders' Meeting 2008

The Annual Shareholders' Meeting of United Internet AG was held in Frankfurt am Main on May 27, 2008. 64.03% of capital stock was represented during the voting. The shareholders adopted all resolutions on the agenda requiring voting with majorities of over 99%. The Management Board was authorized by the Annual Shareholders' Meeting to buy back up to 10% of the Company's shares in the period up to November 26, 2009.

Dividend

The Annual Shareholders' Meeting of United Internet AG, held on May 27, 2008 adopted a resolution to pay a dividend of 20 cents per share for the fiscal year 2007. The dividend payment totaling € 45.9 million was made on the following day.

In view of the balance sheet loss in the annual financial statements of the parent company United Internet AG – due to writedowns on the carrying value of our investments, especially in the field of our listed strategic investments, and the formation of reserves for treasury shares – there will be no dividend for fiscal year 2008. The balance sheet loss will be carried forward.

Capital stock
As of the balance sheet date, the Company's capital stock amounts to € 251,469,184 divided into 251,469,184 no-par value, registered shares. The total number of voting rights as of the balance sheet date amounts to 251,469,184.

Treasury shares account for 8.75% of capital stock
The Management Board was authorized by the Annual Shareholders' Meeting of May 30, 2007 to buy back up to 10% of the Company's shares. In the period from July 24, 2007 to January 21, 2008 United Internet AG bought a total of 5,000,000 treasury shares and thus exhausted the share buyback program adopted on July 24, 2007. As of January 21, 2008 United Internet AG thus held a total of 20,000,000 treasury shares. On January 22, 2008 the Management Board resolved to launch a new share buyback program, during which a further 2 million Company shares were to be bought back via the stock exchange. As of December 31, 2008 the Company held 22.0 million treasury shares, corresponding to around 8.75% of current capital stock.

Investor Relations

In fiscal 2008 the Management Board and Investor Relations department (IR) of United Internet AG 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 the IR department held numerous one-on-one discussions at the company's offices in Montabaur, as well as at road-shows and international capital market and analyst conferences, where they informed participants about the company's strategy and financial results. Over 25 investment banks in Germany, the UK and France are in contact with the IR department of United Internet AG 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).

Award-winning IR activities
Thomson Reuters, Wirtschaftswoche and DIRK (The German Investor Relations Association) regularly present awards for the Investor Relations activities of listed German companies. In the course of the "Thomson Reuters Extel Surveys", over 900 capital market experts expressed their opinion on the quality of the IR communications work provided by companies in various stock market indices. In 2008 United Internet AG achieved an outstanding result: our IR team came third overall among TecDax companies.

Share	2008	2007
Year-high	16.83 €	16.79 €
Year-low	4.16 €	12.34 €
Year-end	6.29 €	16.65 €
Performance	–62 %	33 %
Average daily turnover	11,540,697 €	13,924,220 €
Average daily turnover in units	1,082,791	969,528
Number of shares	251,469 million	251,434 million
Market value	1,582 billion €	4,186 billion €
Earnings per share (EPS)	–0.52 €	0.93 €
Dividend payment	–	45.9 million €
Dividend per share	–	20 Cent

Management Report

Key figures 2008

Dynamic customer growth: the number of customer contracts grew by 800,000 to 7.95 million in 2008.

Strong demand for complete DSL packages: as well as increasing DSL contracts by 230,000 to 2.82 million, we also expanded the number of DSL customers with complete packages by 670,000 to 780,000.

Successful international expansion: we added 380,000 new web-hosting contracts outside Germany to reach a total of 1.93 million.

Growing user figures in portal business: the number of active e-mail users on our online portals GMX and WEB.DE grew by 3.68 million to 25.47 million.

Further operative growth: consolidated sales grew by 10.9% in 2008 to around € 1.65 billion, while EBITDA increased by 3.2% to around € 319 million.

High writedowns on investments: key earnings figures for 2008 are burdened by writedowns (impairment) on investments amounting to around € 275.4 million.

Economic environment

Financial crisis placing increasing burden on real economy

As the financial and banking crisis placed an increasing burden on the real economy in 2008, the International Monetary Fund (IMF) was forced to make several downward corrections to its global growth forecasts in the course of the year. After predicting global growth of 4.1% for 2008 at the beginning of the year, the IMF had reduced its forecast to 3.4% by year-end. At the same time, the IMF expects that the real economic crisis will not be fully noticeable in individual countries nor globally until 2009 and forecasts global growth of around 0%.

Following a strong first quarter, the Euro zone's economy shrank in all subsequent quarters during 2008 (compared with the previous year). At -1.5% and -1.2%, the fourth quarter in particular was well behind the previous quarter and prior-year quarter, respectively. According to the European statistics agency Eurostat, annual growth in 2008 reached just 0.7% – thanks above all to the strong first quarter.

German growth was almost halved in 2008. According to a report of the Federal Statistics Agency (Destatis) in February 2009, however, the strong start to 2008 helped the German economy reach growth of 1.3% for the year as a whole. The corresponding figure for 2007 was 2.5% and as much as 3% in the boom year 2006. After a buoyant first quarter, the downward trend accelerated toward year-end. In the fourth quarter, gross domestic product was down 2.1% on the previous quarter – following similar declines in the second and third quarters.

Limited impact on ITC markets

The economic crisis has so far only had a limited impact on the ITC segment (information technology, telecommunications and digital consumer electronics) of the high-tech industry. This was confirmed by a representative survey of the ITC sector, which the German ITC association BITKOM (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V.) presented on the eve of the CeBIT 2009 fair in Hanover. According to the survey, 55% of companies questioned had so far felt no direct effects of the crisis on their business. The others reported lower sales or fewer new orders than expected before the crisis. In total, the German ITC market grew by 1.2% in 2008, from € 142.9 billion to € 144.6 billion.

Whereas the Consumer Electronics (+5.2% to € 12.2 billion) and Information Technology (+3.4% to € 66.2 billion) segments displayed robust growth in 2008, sales in the Telecommunication segment were down 1.6% on the previous year to € 66.3 billion. BITKOM blames the difficult market situation in the Telecommunication segment above all on further price erosion. In 2008, for example, tariffs on average by 3.3%.

United Internet's target markets continue to grow

Apart from the ITC market as a whole, the most important markets for United Internet are the German DSL market, the German and European advertising market and the global market for webhosting services. A look at these markets shows that all segments were able to grow in 2008 – although the online advertising market suffered heavily from reduced advertiser spending from mid 2008 onwards, as a result of the financial and economic crisis.

On the basis of publications released by active companies in the German broadband market, we calculate that the number of broadband connections grew by 3.2 million or 16.1% to a total of 23.1 million in 2008 (including cable internet). The Federal Network Agency's official figures were not available at the time of writing. At the same time, there is a growing trend toward DSL complete packages. Such packages no longer require a Deutsche Telekom phone connection, instead providers such as United Internet rent "the last mile" from pre-service providers and offer everything from a single source. A clear indicator of this trend is the increase in Deutsche Telekom's TAL connections of 1.95 million, or over 30%, to 8.37 million and the decrease in Telekom fixed line connections of 2.49 million, or 8%, to 28.56 million. According to calculations of the industry association BITKOM, revenues generated by internet connections amounted to around € 13.2 billion in 2008.

The leading market research institutes all expected further strong growth for the global online advertising market and forecast – before the onset of the global financial crisis – similarly high growth rates as in previous years. As fears of global recession grew, however, advertisers became increasingly cautious with their spending and market researchers were forced to downgrade their growth forecasts for all major advertising markets. However, in contrast to the development in many other economic sectors, online advertising was able to continue its success story of the past few years.

According to the Interactive Advertising Bureau (IAB) and PricewaterhouseCoopers (Internet Advertising Revenue Report Q3/2008), online advertising revenues continue to grow in the USA. However, there was a noticeable slowdown in the pace of growth during 2008 as a result of the financial and economic crisis – from 18.2% in the first quarter to 12.8% in the second and 11.0% in the third. At the time of writing, the figures for the fourth quarter of 2008 were not yet available.

According to calculations prepared by Nielsen Media Research, gross online advertising revenues in Germany – generated with graphic advertising – grew by 26.9% in 2008 to € 1.5 billion. Nielsen Media Research also reported that there was a marked slowdown in the pace of growth in Germany over the last quarters. The Online Marketing Group (Online-Vermarkterkreis – OVK) of the German Digital Economy Association (Bundesverband Digitale Wirtschaft – BVDW) comes to similar figures: with growth of 25%, OVK states that online advertising in Germany boasts the highest growth rate by far compared with other media. Gross advertising revenues from classic online advertising, search word marketing and affiliate networks totaled € 3.65 billion. Classic online advertising displayed the strongest growth in 2008 (+27%), generating revenues of around € 1.9 billion. Search word marketing achieved year-on-year growth of 24% and climbed to around € 1.48 billion. The affiliate marketing segment grew by 25% to € 268 million.

Despite the adverse economic conditions, the German online advertising market thus once again confirmed the positive trend of the preceding years in 2008. While the proportion of spending on classic media formats continues to stagnate or steadily decline, online advertising continues to grow and gain further ground. Online advertising's share of the total advertising market has grown from 4.4% to 14.4% in the last four years. At the same time, media formats such as general-interest magazines (-3.3%), newspapers (-3.0%) and TV (-3.2%) have all lost market share.

Although online advertising continues to grow in significance – as part of the overall marketing mix – it was not able to escape the effects of the general economic situation. The same is still true today. As a consequence, the OVK's growth forecast of around 10% for 2009 is much more conservative than in previous years.

When comparing market growth as calculated by Nielsen or the OVK with actual market growth of companies operating in the market, it should be noted that both Nielsen Media Research and the OVK only "measure" gross spendings, and thus the official list prices. Discounts granted on these list prices – which became increasingly in 2008 in the face of fierce competition – are not considered in these figures. Against this backdrop, we expect that the growth in real sales of the online advertising market – based on spending – will fall significantly in total as a result of strong pressure on prices and discounts.

The international webhosting market also continues to enjoy strong growth. According to calculations of RegistrarSTATS.com, the number of registered generic top-level domains around the world (such as .com, .net, .org) grew by 9.8 million in 2008 to reach a total of 107.3 million – an increase of around 10% over December 31, 2007. The German top-level domain ".de" also enjoyed strong demand in 2008 – despite a comparatively high online presence already achieved among consumers and businesses – and grew by 780,000 (+6.7%) to 12.45 million domains by the end of December. This purely quantitative market growth is also confirmed by forecasts, such as those of Gartner and IDC who expect annual growth rates of 15% and 16% until 2010. In their European Managed Webhosting Forecast of October 2007, the experts of IDC forecast growth of 11.3% to USD 4.2 billion for western Europe in 2008 – in the B-to-B webhosting sector alone. Good growth opportunities are forecast for all European markets in which we operate: Germany (+9.4%), the

UK (+11.3%), France (+11.0%), Austria (+12.3%) and Spain (+13.4%).

This wide-scale market growth is driven primarily by the global demand for ever faster internet access. According to figures of the Deutschland Online report, maximum speeds were still around 3 Mbits/s in 2004, rose to 6 Mbits/s in 2005 and had already reached 16 Mbits/s in 2006. For 2015, experts forecast that over 30% of all internet connections will be broadband and well beyond the current "16-Mbits/s barrier". The sector association BITKOM forecasts that total online data traffic is already growing by 50-60% – whereby the data volume of private internet users is growing particularly fast, as ever more photos, videos and films in high-resolution quality are transmitted.

The growing penetration of private households with ever faster broadband connections enables internet service providers (ISPs), such as United Internet, to offer increasingly data-intensive and innovative products and services, such as video-on-demand or in future internet TV, and complex, web-based applications previously only known as PC software – often referred to as Software as a Service (SaaS) or Cloud Computing – which end customers or companies can use without any fall in performance. Widespread broadband access also opens up new opportunities for internet advertising, a field in which we are represented by our portals GMX, WEB.DE and 1&1, as well as by our Online Marketing segment. Advertisers are now able to use ever more data-intensive advertising formats, such as high-resolution video clips, for their online campaigns. According to the OVK, the use of video advertising formats already grew by 236% in Germany during 2008.

With its wide market coverage, United Internet benefits from this market development on several levels: as one of Germany's largest DSL providers, as the leading provider of online advertising in Germany, as one of the leading European marketers of third-party online advertising space and as one of the world's leading web hosts of complex, value-added applications at our data centers.

Business development

Successful development of Group's operating business

With 7.95 million fee-based customer contracts, United Internet AG is a leading international ISP. United Internet's operations are primarily through its subsidiaries 1&1 Internet AG, including WEB.DE GmbH, GMX GmbH, GMX Internet Services GmbH, United Internet Media AG, Fasthosts Internet Ltd., via InterNetX GmbH and via AdLINK Internet Media AG, including Sedo GmbH and affilinet GmbH.

Our brands are currently active in two business segments:

- In the **Product** segment, our information management applications, webhosting solutions and internet access products are directed at private users, small/home offices (SoHos) and small to mid-size enterprises (SMBs). In our direct sales business, these groups are served by the brands GMX, WEB.DE and 1&1. Our InterNetX and Fasthosts brands also offer webhosting products as white-label solutions – indirectly – via resellers, while United Internet Media markets our portals to e-commerce merchants and advertisers.
- In our **Online Marketing** segment, we are mainly represented by the brands AdLINK Media, affilinet and Sedo. We offer advertisers a variety of marketing and sales solutions in this segment: Display Marketing via AdLINK Media, Affiliate Marketing via affilinet and Domain Marketing via Sedo. In contrast to the marketing of our own portals in the Product segment, we primarily market third-party domains and websites in this segment.

Quantitative performance indicators

In line with our positioning in the "Product" and "Online Marketing" segments, we measure our business success above all via the key indicators: sales, gross margin, EBITDA and EBT on the one hand, and customer contracts, reach/active users and marketable domains and websites on the other.

Successful international expansion

We continue to make strong progress in our international expansion. In 2008, our Group companies were active in 14 different nations through their own local offices. Despite a very strong Euro (especially against the US dollar and British pound), non-German sales grew by 4.1% during the period under review and contributed € 216.2 million (prior year: € 207.7 million) to total consolidated sales of € 1,649.6 million. Adjusted for currency fluctuations, foreign sales amounted to approximately € 238.2 million, corresponding to growth of 14.7%.

In the Product segment, we operate our "Webhosting" business in Germany, France, the UK, Austria, Spain and the USA. We also serve customers in numerous other countries via our international US website. In 2008, we raised the total number of non-German customer contracts by 380,000 – from 1.55 million as of December 31, 2007 to 1.93 million on December 31, 2008. After being represented on the US end-user market since 2004 by the 1&1 brand, our reseller brand Fasthosts also started activities there in the third quarter of 2008. To mark the brand's US launch, Fasthosts offered resellers a free high-quality reseller-hosting package with unlimited storage space and data volume for one year. As in the UK, resellers in the USA can now also use Fastshosts' white-label products to offer their customers completely independent webhosting packages or pre-confectioned all-in-one packages under their own name. All offers are hosted at our data farm in Lenexa, Kansas.

The international presence we have already achieved in the Online Marketing segment is a key element of our overall concept. In addition to the USA, our brands are represented in 13 European countries (Belgium, Germany, France, the UK, Italy, Croatia, the Netherlands, Norway, Austria, Sweden, Switzerland, Slovenia and Spain). In Display Marketing, we expanded into South-East Europe in early 2008 via our investment Goldbach Media. This involved the acquisition of online marketers in Croatia and Slovenia. In Affiliate Marketing, we added Spain and the Netherlands to our international platform in 2008. In our Domain Marketing business, Sedo has also been represented in London (UK) since mid 2008 – in addition to Cologne and Boston (USA) – via a cooperation with AdLINK Media.

Qualitative growth in DSL

In comparison with December 31, 2007 we succeeded in activating 230,000 new DSL contracts (net), bringing the total to approximately 2.82 million DSL customers as of December 31, 2008. Approx. 60,000 further DSL orders were being processed as of this date. In addition to the acquisition of new customers, the main focus of our DSL business during the period under review was to raise customer loyalty and expand business with our current client base. With now four pre-service providers (Arcor, Deutsche Telekom, QSC and Telefónica) we succeeded in converting a large number of existing customers to our complete packages in 2008, thus maximizing customer retention. Compared with December 31, 2007, we were able to raise the number of our complete packages – which no longer require a Telekom phone connection – by 670,000 to 780,000.

Strategic investments in Versatel and freenet

Versatel
United Internet acquired further shares in Versatel AG during the period under review and held a total stake of 25.21% in Versatel AG as of December 31, 2008.

freenet
United Internet and Drillisch also increased their shareholding in freenet AG to 24.52% in January 2008, via the jointly held company MSP Holding GmbH. In the course of the capital increase of freenet AG, in connection with its acquisition of Debitel, the shares held by MSP Holding GmbH in freenet AG were diluted from 24.52% to 18.39% as of July 5, 2008. On December 29, 2008, United Internet acquired 10,798,817 shares in freenet AG from MSP Holding GmbH, equivalent to 8.43% of voting rights. The proceeds were used to reduce the financial liabilities of MSP Holding GmbH. After executing this share transfer, MSP Holding GmbH still holds 12,751,183 shares in freenet AG, or 9.96% of voting rights. Drillisch AG continues to hold 7.52% of the voting rights in freenet AG. Due to the contractual voting commitment between United Internet and Drillisch, there is no difference in the share of voting rights in freenet AG held by United Internet AG, together with Drillisch and MSP Holding, which still totals 25.91% – as before the share transfer.

Investment fund with the Samwer brothers

Together with the Samwer brothers, United Internet has been investing since mid 2007 in funds with a variety of focus areas. United Internet has held a stake in the European Founders Fund GmbH & Co. Beteiligungs KG No. 1 (United Internet shareholding: 66.67%), a fund for early-phase financing, since the middle of 2007. As of 2008, United Internet also holds a stake in a further joint fund set up in late 2007 for so-called "later-stage investments", the European Founders Fund GmbH & Co. Beteiligungs KG No. 2 (United Internet shareholding: 90.00%). In a contract dated March 5, 2008, United Internet also acquired an 80.00% stake in the European Founders Fund GmbH & Co. Beteiligungs KG No. 3. This fund specializes in small percentage investments in "later-stage companies". In 2008, United Internet invested € 24.4 million in EFF No. 1 for shareholdings in young internet and technology companies (portfolio companies). Via the fully consolidated EFF No. 2 and EFF No. 3 funds, a total of € 24.5 million and € 50.1 million, respectively, was invested in portfolio companies. Proceeds from the sale of portfolio companies totaled € 20.0 million in 2008.

New investments in 2008

On February 8, 2008, United Internet acquired a 48.65% stake in the media holding company virtual minds AG and thus also in ADITION technologies AG. ADITION is the third-largest adserving supplier on the German online market, after DoubleClick and AdTech. United Internet's strategic investment is aimed at securing the continued independence and competitive neutrality of ADITION via a minority holding. This will help to strengthen ADITION's role as a neutral service provider following the takeover of DoubleClick and AdTech by Google and AOL, respectively, and their integration into the companies' respective marketing systems.

On March 7, 2008, United Internet acquired 33.36% of shares in the Swiss BW2 Group AG. BW2 offers professional CRM and ERP business solutions.

ProSiebenSat.1 Media AG and United Internet placed their cooperation in the field of video-on-demand on a new basis in 2008. A jointly controlled company, maxdome GmbH & Co. KG, was founded in which ProSiebenSat.1 and United Internet (via 1&1 Internet AG) each hold 50% of shares. The respective contracts were signed on February 22, 2008. The transaction was approved by the anti-trust authorities of the European Commission on April 29, 2008.

On May 30, 2008, United Internet acquired all shares in the British Fasthosts reseller Dollamore Ltd., including its 130,000 customer relationships, via the Group subsidiary Fasthosts Internet Ltd.

On July 1, 2008 United Internet acquired a 30% stake in Jimdo GmbH. With its "Jimdo" website tools, the company offers a service for the easy creation of private or commercial home pages.

Segment development

Product segment posts 13.5% sales growth

The United Internet Group's dominant business remained its Product segment in 2008, with the brands GMX, WEB.DE, 1&1, InterNetX and Fasthosts, which together account for 86.9% of total sales.

In fiscal year 2008, sales in this segment grew by 13.5%, from € 1,261.9 million to € 1,432.8 million (currency adjusted: +14.7% to € 1,447.3 million). Earnings before interest, taxes, depreciation and amortization (EBITDA) improved by 6.9%, from € 279.4 million to € 298.6 million. Earnings before taxes (EBT) reached € 249.2 million, representing growth of 13.3% compared with € 219.9 million in the previous year. Despite high expenses for customer acquisition and retention (conversion to complete packages), the EBT margin once again reached 17.4%. Customer acquisition costs continue to be charged directly as expenses. The number of employees in this segment grew by 16.3% to 4,020 (prior year: 3,456).

Our very healthy key financials in this segment are closely linked with the dynamic growth of our customer base. As of December 31, 2008 we had 7.95 million fee-based customer contracts (year-end 2007: 7.15 million). These are divided among the three product lines of our Product segment:

- **Information Management** with professional e-mail solutions, messaging, address management, Pocket Web and 0700 number
- **Webhosting** with domains, home pages, dedicated and virtual servers and e-shops
- **Internet Access** with DSL connections (including telephony and video-on-demand), as well as mobile and narrowband internet access

Customer contracts up by over 11%
Divided according to product lines, the contract figures comprise 1.36 million customer contracts in the field of Information Management, 3.62 million in Webhosting (of which 1.93 million outside Germany) and 2.97 million in Internet Access (of which 2.82 million DSL). The marketing of our DSL complete packages, which no longer require a Telekom phone connection, made very good progress in 2008. The number of complete customers grew by 670,000 in 2008 to stand at 780,000 by year-end.

Leading supplier of internet advertising in Germany
With around 19.8 million active users, the United Internet AG portals (GMX, WEB.DE and 1&1) are used by more than 47% of all German internet users. According to the current "internet facts 2008-III" of the online research working group AGOF, the marketing company for our portals "United Internet Media" once again represents the largest supplier of internet advertising in Germany, in terms of both reach and advertising space volume. United Internet's portals rank 2nd (WEB.DE), 5th (GMX) and 34th (1&1) among the 500 online media measured in Germany.

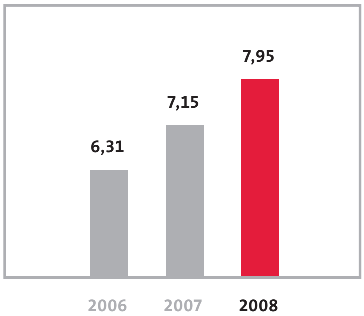
Key player in global webhosting business
With 3.62 million webhosting customers around the world, over 65,000 servers, and more than 13 million domains, United Internet AG and its webhosting brands is one of the world's leading shared and dedicated hosts and a leading global domain registry. We succeeded in further enhancing our position and winning new customers in all our foreign markets during 2008. In addition to organic growth, we also acquired our UK reseller Dollamore and its 130,000 customer relationships in the past year.

Hanau nuclear power plant to become green server farm
United Internet is building one of Europe's biggest data centers on the site of the Siemens Technopark in Hanau, Germany. In the building of the former "Neue MOX" fuel element factory, United Internet will set up an internet data center on 10,000 square meters of building space which will be gradually expanded according to needs and will ultimately offer space for up to 100,000 servers. By placing the new facility far away from the company's existing data centers in the Karlsruhe region, the company can guarantee the

Customer contracts by product line
in millions – without DSL backlog

Customer contract	31.12.2007	31.12.2008	Growth
Information Management	1.21	1.36	+0.15
Webhosting	3.21	3.62	+0.41
of which abroad	1.55	1.93	+0.38
Internet Access	2.73	2.97	+0.24
of which DSL	2.59	2.82	+0.23
of which Resale- /T-DSL	2.48	2.04	−0.44
of which complete DSL	0.11	0.78	+0.67
Total	**7.15**	**7.95**	**+0.80**

Costumer contracts
in millions – without DSL backlog



availability of its services in the case of catastrophes. Since late 2008, the building – originally planned as a nuclear plant – has been gradually converted into a “green” data center, as its energy needs will be supplied in future exclusively from regenerative sources, as with all other data centers. The first stage of the Hanau-based data center is expected to go into operation in late 2009.

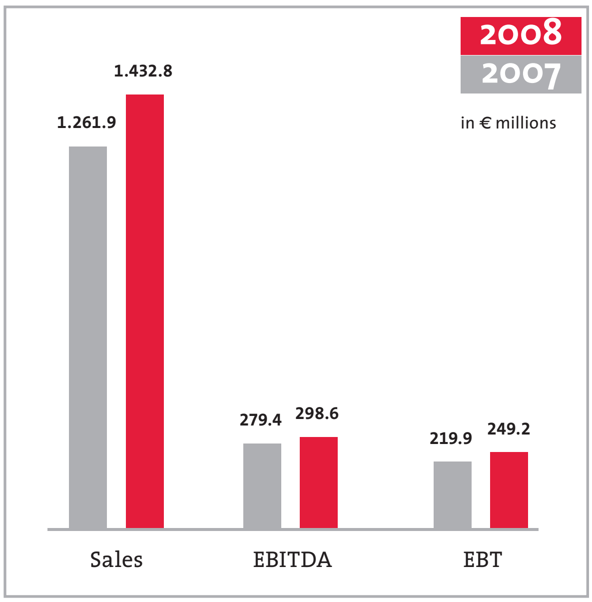
No. 3 on the German DSL market
In its German DSL business, United Internet is the market’s third largest provider after Deutsche Telekom and Vodafone/Arcor. In the period under review, we activated 230,000 new customer contracts (net) and had around 2.82 million contracts as of the balance sheet date. Approx. 60,000 further contracts were still being processed on this date.

In addition to the acquisition of new customers, the main focus of our DSL business in 2008 was to raise customer loyalty and expand business with our current client base. With now four pre-service providers (Arcor, Deutsche Telekom, QSC and Telefonica) we succeeded in converting a large number of existing customers to our all-inclusive packages in 2008, thus maximizing customer retention. Compared with December 31, 2007, we were able to raise the number of our complete packages – which no longer require a separate phone connection – by 670,000 to 780,000.

Quarterly development
in € millions

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q4 2007
Sales	346.0	356.6	359.1	371.1	346.4
EBITDA	77.2	85.1	73.5	62.8	75.0
EBT	64.9	73.0	60.9	50.4	56.7

Financial figures Product segment



Webhosting customers by country
in millions

	31.12.2007	31.12.2008	Growth
Germany / Austria	1.66	1.69	+0.03
UK	0.74	0.94	+0.20
France	0.17	0.21	+0.04
USA	0.64	0.74	+0.10
Spain	–	0.04	+0.04
Total	**3.21**	**3.62**	**+0.41**

In addition to United Internet Media, the online marketer of our portals, we are represented by 5 brands in our Product segment:

GMX is one of the leading suppliers of communication service
GMX targets private users with its Information Management products. With 8.7 million unique users per month, GMX is one of Germany's leading suppliers of mail, messaging and communication solutions. In addition to its free e-mail accounts, GMX also offers fee-based, added-value services and in particular professional, web-based e-mail solutions.

Highlights 2008:

- **GMX roll-out in UK and USA.** Following extensive preparations, GMX launched its e-mail products in the USA and UK at the beginning of 2008.
- **Launch of GMX.at and GMX.ch.** Following the roll-out of GMX.at and GMX.ch, e-mail users in Austria and Switzerland now also have access to high-quality, country-specific content and service areas.
- **Expansion of MultiMessenger.** The GMX MultiMessenger was further developed into a communications center in 2008, combining various communication channels and aggregated them at a central place.

WEB.DE, Germany's No. 2 portal
WEB.DE is Germany's second largest portal with 12.8 million internet users per month. In addition to its free basic services, WEB.DE also offers fee-based products – including the popular WEB.DE Club.

Highlights 2008:

- **Software and freeware downloads.** In January 2008 WEB.DE expanded its range of portal services with the addition of a platform for the legal download of around 800 fee-based and 10,000 free computer programs.
- **Expansion of Unified Messaging Services.** With the change to 032 numbers, WEB.DE added convenient fax and answer phone functionality to its Unified Messaging Service.
- **Home banking with WEB.DE.** In cooperation with the market leader Star Finanz GmbH, WEB.DE launched the safe and convenient online banking software Star Money in September 2008.

1&1, a leading ISP in Germany and around the world
1&1 offers a wide range of reliable online applications for consumers and small businesses. Services range from webhosting (websites, domains, web shops, payment systems, servers) to fast DSL connections (with DSL telephony, video-on-demand and mobile telephony), mobile and narrowband internet access and personal information management (PIM) via the internet (e. g. Pocket Web and Professional-e-Mail accounts). 1&1 is Germany's third-largest DSL supplier and one of the world's largest webhosting companies, with operations in 6 countries.

Highlights 2008:

- **Expansion of data network.** With the expansion of its network in 2008, 1&1's data centers in Germany and the USA now enjoy internet connections with bandwidths of over 120 Gigabit/s.
- **Roll-out of 1&1 MediaCenter.** The MediaCenter centrally aggregates personal media (photos, video and music files) and internet offerings (e. g. maxdome or ZDF Mediathek) for use via the TV or hi-fi system.
- **1&1 introduces Homeserver.** The Homeserver combines six devices (network server, router, media server, telephone system, DECT basis station and DSL modem) for jointly used applications throughout the house.
- **Expansion of mobile data services.** In the field of "Mobile Internet", 1&1 launched a number of new tariff options (including flat rates) and end-user devices (such as UMTS) for consumers and professionals in 2008.

InterNetX – the provider's provider in Germany
InterNetX comprises all United Internet's reselling activities in Germany. InterNetX markets webhosting products to ISPs and multimedia agencies (resellers), who in turn market them under their own name and for their own account.

Highlights 2008:

- **Expansion of reseller network.** In 2008, InterNetX succeeded in gaining further new sales partners. The company now serves some 19,100 resellers (prior year: 17,700), for which it hosts 2.4 million domains and 1,100 servers.
- **Portfolio expanded.** Apart from expanding its portfolio of domains (.cz, .vn, .pe, .cn, .me, .tel and others), InterNetX also launched a trustee service in 2008 for many top-level domains, such as .de, .eu, .fr and .nl.

Fasthosts – the provider's provider in the UK and USA
Fasthosts is our reseller brand in the UK and USA. Like InterNetX, Fasthosts markets webhosting products to over 5,700 ISPs and multimedia agencies, who in turn market them under their own name. Fasthosts also operates its own direct business with consumers and companies.

Highlights 2008:

- **Acquisition of Dollamore.** In 2008 Fasthosts acquired approx. 130,000 customer relationships of its former reseller Dollamore Ltd., as well as the Streamline.net brand.
- **US roll-out.** Fasthosts launched its reseller products in the USA during the third quarter of 2008. In the course of the market launch, sales partners were allowed an unlimited and free test of the products for a period of one year.

Difficult year for online marketing

In our Online Marketing segment, we offer advertisers a variety of marketing and sales solutions: Display Marketing via AdLINK Media, Affiliate Marketing via affilinet and Domain Marketing via Sedo. In contrast to the marketing of our own portals in the Product segment, we market third-party domains and websites in this segment – in 13 European countries and the USA.

In addition to the problematic development of the Domain Marketing segment since the second quarter of 2008, the strong fall in demand for Display Advertising especially in the third and fourth quarters had a significant negative impact on key sales and earnings figures in the Online Marketing segment in 2008. The reluctance of our customers to spend on advertising led to falling sales volumes as well as fierce competition for the remaining budgets, which in turn increased the pressure on prices and margins. In contrast to the sales and earnings figures in our Domain and Display business, which fell well short of expectations, our Affiliate Marketing business performed as expected.

Against this backdrop, sales in the Online Marketing segment fell by 3.9%, from € 224.8 million in the previous year to € 216.1 million. Adjusted for currency fluctuations, segment sales remained virtually stable at € 223.6 million – despite the adverse market conditions. Without adjustment, the Online Marketing segment accounted for 13.1% of the United Internet Group's total sales in the period under review. EBITDA fell by 70.2%, from € 43.3 million in the previous year to € 12.9 million – whereby the prior-year figure contains positive non-recurring effects of € 16.8 million from the contribution of our shares in AdLINK Switzerland and AdLINK Austria to Goldbach Media AG. EBT decreased from € 29.6 million to € -7.9 million – whereby prior-year EBT contains positive non-recurring effects of € 7.4 million (€ 16.8 million income from the contribution of company shares to Goldbach and € 9.4 million expenses for good impairment charges), while EBT in 2008 was burdened by negative special items totaling € 17.1 million (€ 7.9 million writedown on our Goldbach investment and € 9.2 million good impairment charges in Germany and France). As of December 31, 2008 the segment employed 516 people (prior year: 472).

AdLINK Media – independent online marketer in Europe
AdLINK Media is one of Europe's largest independent online marketers. The company's business model is based on an online advertising network consisting of high-reach websites generating over 10 billion AdImpressions per month, which it markets to advertisers for Display Marketing (branding purposes or direct product sales). Payment is either on a CPM basis (cost per thousand contacts) and/or performance-based pay-per-click basis.

Highlights 2008:

- **Expansion into South-East Europe.** In 2008, AdLINK continued its expansion into South-East Europe – via its investment in Goldbach Media – with the acquisition of online marketers in Croatia and Slovenia.
- **Launch of TGPopen.** In the second half of 2008, the targeting standard TGPopen of sister company United Internet Media was introduced in the company's German Display Marketing business.
- **Portfolio expanded.** A number of top-quality websites were gained for marketing during the year, including CinemaxX and Zattoo in the field of entertainment, and eBay Belgium in the field of e-commerce.
- **Reach extended.** In the period under review, the number of AdImpressions generated via the network grew from 8.5 billion (average in Q4/2007) to over 10.3 billion (average in Q4/2008).

Sedo – World's leading domain marketing company

Sedo operates the global domain trading platform sedo.com, where some 15.3 million domains are currently traded. In its domain parking business, Sedo markets some of these domains to advertisers for domain marketing purposes on behalf of the domain owners. Sedo takes a share of the revenues generated from marketing on a pay-per-click basis.

Highlights 2008

- **Portfolio expanded.** In the period under review, the company's portfolio of marketable domains grew from 5.1 million at year-end 2007 to 6.2 million domains at the end of 2008.
- **Investment in DomainsBot S.r.l.** Effective January 1, 2008, Sedo acquired a 40% stake in the Italian company DomainsBot S.r.l., a specialist for innovative domain search technology.
- **Platform optimized.** Certifications for customers and bidders were introduced in 2008, in order to enhance the quality of the advertising offer on the one hand and guarantee a safe market place for sellers on the other.
- **Further internationalization.** Sedo has been represented by an office in London (UK) since mid 2008 – in addition to its offices in Cologne and Boston (USA) – via a cooperation with AdLINK Media.

Affilinet – Key player in core European markets

affilinet is active in the field of Affiliate Marketing and operates a network for suppliers of affiliate programs and website owners wishing to integrate such programs into their websites. affilinet profits from the contacts and sales initiated via the network on a purely performance-oriented basis.

Highlights 2008

- **Roll-out in the Netherlands and Spain.** In 2008, affilinet continued its international expansion policy with its entry into two further European nations – the Netherlands and Spain.
- **Publisher Communication Center.** The new Publisher Communication Center enables more efficient administration for advertisers and optimum communication with their online sales partners.

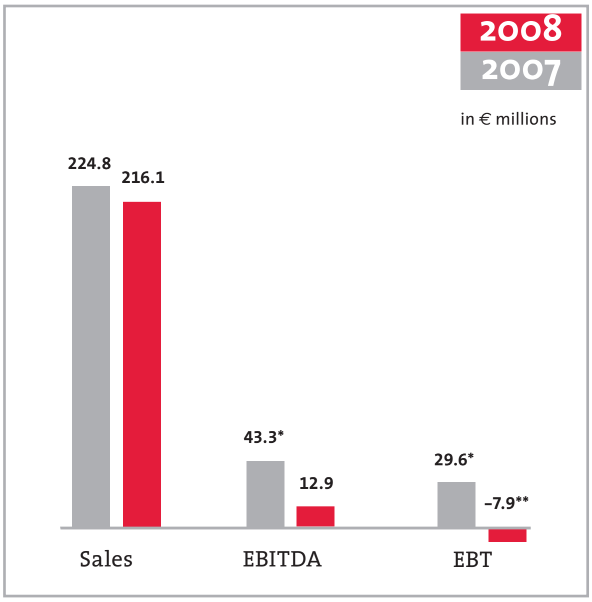
Quarterly development
in € millions

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q4 2007
Sales	55.8	55.6	48.1	56.6	67.8
EBITDA	5.3	4.7	1.2	1.7	8.4
EBT	4.3	4.2	0.1	–16.5**	7.3

* EBITDA and EBT 2007 include a non-recurring positive effect of € 16.8 million (EBITDA) and € 7.4 million (EBT)

** EBT 2008 and EBT Q4 2008 include a non-recurring negative effect of € 17.1 million

Financial figures Online Marketing segment



- **International Developer Portal.** In September, affilinet launched an International Developer Portal. The aim of the portal is to develop innovative web applications and thus raise program revenues.

Research and development

R&D results quickly translated into marketable products

United Internet is not only a supplier of internet services, but also stands for innovations developed by its own team of specialists. Our success is rooted in an ability to develop or adapt innovative products and services and launch them on major markets. In the future-oriented internet market, it is particularly important to implement marketable ideas as swiftly as possible. With our own development teams, we are able to quickly translate ideas into marketable products and continually enhance products already on the market. Our expertise in product development and market roll-out minimizes our reliance on third party developments and supplies in many areas and thus gives us a decisive competitive edge on the market. At our development centers in Karlsruhe and Bucharest, over 450 developers use mainly open source code (Linux). We also use third-party programming services in order to swiftly and efficiently implement specific projects. We can thus quickly change existing basic applications of our products and adapt them to changing customer needs. The modules of this system can be easily combined and provided with product-specific or country-specific user interfaces in order to create a wide variety of powerful solutions.

Due to our steady growth in customer figures, the demands placed on our products with regard to reliability and availability are also constantly rising. We meet these demands with IT solutions which we develop ourselves or purchase from partners, and then modify and integrate into our systems. In addition to the development of new products, we also focus on continually enhancing existing processes in order to raise customer satisfaction. For example, we are permanently working on improvements to the interfaces with our pre-service providers.

The overwhelming majority of our product developments and implementations in 2008 were for our Product segment. These focused in particular on expanding line and computing capacities as well as on the fields of internet entertainment and mobile internet.

Data network expanded

The expansion of our Wide Area Network (WAN) has provided our high-performance data centers in Germany and the USA with internet connections of over 120 Gigabit/s. We also made our first direct connection with a major exchange node outside Europe – Equinix in Chicago. As a result, our external bandwidth tripled within just twelve months. At the same time, the Europaring, which connects our Karlsruhe-based data centers with the most important internet nodes in Frankfurt, London and Amsterdam, was expanded to a standard level of at least 10 Gigabit/s. The expansion of internet bandwidth ensures that the content and applications of our webhosting customers in Europe and the USA can continue to be delivered reliably and at high speed and that we are prepared already for the demand for greater bandwidth, due above all to multimedia applications such as video streams.

At the same time as the expansion of our Wide Area Network, we also changed the underlying technology. Instead of SDH (Synchronous Digital Hierarchy), we now use Ethernet technology – as known from use in companies and homes. This also enables us to achieve cost savings by using more powerful routers. Improved external connections also saves further costs, as the data streams can be distributed optimally with the aid of new peerings and routing alternatives.

TGP® becomes separate product under TGPopen brand

Our media targeting tool TGP®, with which advertisers can tailor their campaigns to specific target groups throughout the entire United Internet Media portfolio, was expanded and refined again in 2008. TGP® enables direct and efficient customer targeting, without the need for aids, such as topic environments, and without any restrictions regarding advertising format or targets. Targeting with TGP® is based on a huge database using four data sources: socio-demographics, surfing behavior, psychographics and also real-life purchase behavior data from GfK's ConsumerScan.

This variety of data sources allows detailed target group profiling and analysis. The TGP® ad system shows each person of a target group, wherever they are on our portals, the advertising which is exactly relevant to them when they call up a website. This means that target groups can be contacted precisely, irrespective of their momentary surfing environment. Advertising is thus no longer regarded as annoying. This enhances the impact and thus the efficiency of the advertiser's campaign. In addition to continual development of the system, work on TGP® in 2008 focused in particular on developing the system as a separate product "TGPopen", which can also be provided to other marketers with the aid of a licensing model. Our sister company AdLINK Media became the first partner for TGPopen in the second half of 2008.

mediaCenter links internet and TV

With the new 1&1 MediaCenter box, internet entertainment can now be enjoyed together with other personal media in the comfort of the consumer's living room. The MediaCenter provides a connection between the consumer's TV and hi-fi equipment and the internet. Using the remote control, users can access web content – such as videos, breaking news, songs, audio and video podcasts and Germany's largest online video rental service maxdome – as well as private photos and videos, and their own MP3 files stored on their home PC.

The 1&1 MediaCenter is also the first device to enable viewers to watch the 7-day catch-up service of Germany's ZDF Mediathek on their TV. This was previously only possible on PCs. The programs on offer also include news, business magazines, talk shows, sports broadcasts and selected series. The news and services of N24 can also be accessed as a free and up-to-date source of interactive information from the field of politics, business and sport. In addition, the latest regional and national weather forecasts are provided by wetter.com.

1&1 MailXchange for Symbian cellphones

1&1 expanded its professional e-mail solution 1&1 MailXchange so that it is now also available with free client software for Symbian cellphones. The software enables users to organize personal e-mail, dates, contacts and tasks with extensive functions for efficient team work and file administration, and to synchronize them in real time. Symbian is the most widely used operating system for so-called smartphones. With Windows Mobile and Symbian, 1&1 MailXchange now supports the overwhelming majority of all internet-capable cellphones and expands the target group for the reasonably priced mobile communication solution 1&1 MailXchange, especially with regard to freelancers, small firms and sales representatives.

Internationalization of GMX e-mail product

With the roll-out of the e-mail services gmx.com, gmx.co.uk and gmx.fr, GMX laid the foundation for the expansion of its international presence in 2008, particularly with regard to the USA, the UK and France. The e-mail product for these countries includes a new type of e-mail client. The new client was developed with the aid of qooxdoo, a framework based on Ajax programming technology, which was initiated and is being driven by 1&1 and GMX as an open-source project. The client provides private and professional e-mail users with an innovative and convenient interface, which is adapted to the functions of desktop applications. The product also includes a state-of-the-art organizer, offering full Outlook compatibility, as well as a file store with 5 GB of storage space for filing, archiving and backing up files.

Employees

As of December 31 2008, the United Internet Group employed a total of 4,565 people – an increase of 15% over the previous year (3,954). There were 4,020 employees in the Product segment, 516 in the Online Marketing segment and 29 employed at the Group's headquarters. Our non-German subsidiaries employed 947 people (prior year: 827). Personnel expenses rose by 17.8%, from € 145.8 million to € 171.8 million.

Principles of the remuneration system for the Management Board and Supervisory Board

The Supervisory Board is responsible for determining the remuneration of the Management Board. The members of the Management Board of United Internet

AG are compensated according to performance. This compensation consists of a fixed and a variable element. In the case of one Management Board member, there is a component providing long-term incentives in the form of Stock Appreciation Rights (SARs). The exercise hurdle for this program is 120% of the strike price. Payment of value growth is limited to 100% of the calculated share price.

The amount of these remuneration components is regularly reviewed. The fixed remuneration component is paid monthly as a salary. The size of the variable component depends on reaching certain, fixed financial targets agreed at the beginning of the fiscal year. These targets are based mainly on sales and earnings figures. The target attainment corridor is generally between 80% and 120%. No bonus is paid below 80% of the agreed target and the bonus calculation ends at 120% of the agreed target. Subsequent amendment of the performance targets is not provided for. There is no minimum guaranteed bonus. In 2008, the fixed component accounted for 60% and the variable component for 40% of Management Board remuneration. There are no retirement commitments from the Company to members of the Management Board.

The members of the Supervisory Board receive compensation consisting of a fixed element and a variable element which depends on the Company's success. The fixed remuneration for an ordinary member of the Supervisory Board amounts to € 20k per full fiscal year. The chairman of the Supervisory Board receives twice the amount attributable to an ordinary member. The variable element for each member of the Supervisory Board, including the chairman, amounts to € 2k for every cent which exceeds the consolidated earnings per share value of € 0.10 for United Internet AG, calculated according to IFRS. There are no stock option programs for members of the Supervisory Board. There was only fixed remuneration in 2008.

Result of operations, financial position and net assets

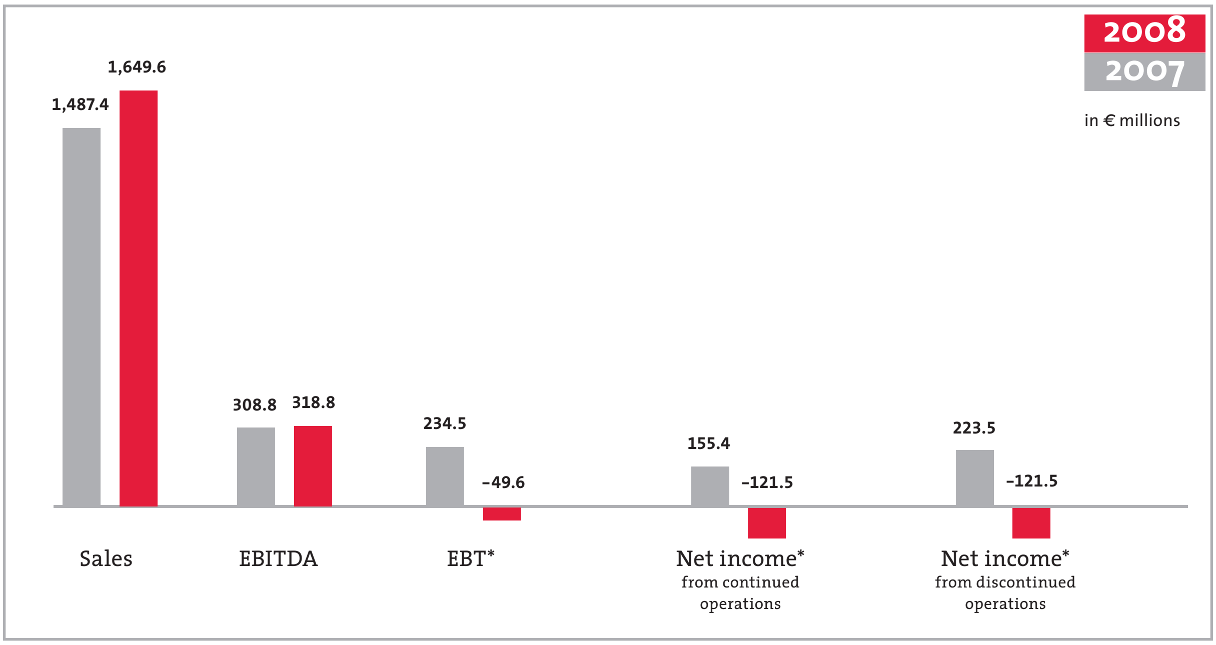
Growth in operating business; earnings burdened by high impairment charges for strategic investments

Despite the strength of the euro against the US dollar and UK pound, and the growing weakness of the online advertising market during 2008, consolidated sales of United Internet AG grew by 10.9%, from € 1,487.4 million in the previous year to € 1,649.6 million in 2008. Adjusted for currency fluctuations, consolidated sales grew by 12.4% to € 1,671.6 million.

As expected, the subscription-based business of the dominant “Products” segment – with the brands 1&1, GMX, WEB.DE, Fasthosts and InterNetX – not only proved stable but enjoyed further growth. However, sales in the “Online Marketing” segment – with the brands AdLINK Media, affilinet and Sedo – were burdened initially by problems in the field of Domain Marketing and, especially in the second half of the year, by the reduced spending of advertisers in our media business in the wake of the global financial and economic crisis, as well by falling prices due to fierce competition for remaining advertising budgets.

In our Product business, we benefited from rising customer figures in all product lines (+800,000 customer contracts in 2008) and were able to convert this growth into increasing sales and earnings figures. However, the reduced spending of our advertising customers in the second half of the year, and especially the fourth quarter, was also noticeable in this segment – for the marketing of our portals. With regard to expenses, we invested in gaining new customers for our DSL business (+230,000 contracts), but above all also in strengthening customer loyalty. We made very strong progress in the marketing of our DSL complete packages in 2008. These packages, for which customers no longer require a separate phone connection, are of great importance for customer retention. The number of complete customers grew by 670,000 in 2008 to a total of 780,000 at year-end.

Consolidated financial figures



* The figures for 2008 include total negative, non-recurring and non-cash effects of € 275.4 million.

In Online Marketing, sales and earnings were already burdened from the beginning of the second quarter by the problematic development in the field of Domain Marketing. Changes in the policy and algorithms of our most important partner in the field of search engines have since been slowing down the development of this business, which still boasted high growth and margins in 2007. Sales and earnings in the Online Marketing segment were also burdened by the increasing weakness of the online advertising market in the second half of the year, which deteriorated noticeably from quarter to quarter. The weakness of the UK pound and US dollar against the euro also had an adverse effect.

All in all, consolidated gross margin fell from 39.8% in the previous year to 39.0% in the period under review. The main reason was the stronger growth of our DSL business and the related change in the product mix. Compared with other products, such as webhosting and information management, the DSL business has higher sales but a lower gross margin.

Due to high costs for customer acquisition and increased spending on customer retention, sales and marketing expenses grew from € 248.2 million (16.7% of sales) to € 278.6 million (16.9% of sales). Thanks to economies of scale, administrative expenses grew more slowly than sales, from € 82.5 million (5.5% of sales) in 2007 to € 83.7 million (5.1% of sales) in the period under review.

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose by 3.2% to € 318.8 million, compared with € 308.8 million in the previous year. It should be noted that EBITDA in the previous year contained a positive special item of € 16.8 million in the Online Marketing segment, which resulted from the contribution of AdLINK Switzerland and Austria to Goldbach Media.

Quarterly development
in € millions

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q4 2007
Sales	402.0	412.4	407.4	427.8	414.3
EBITDA	83.2	88.6	77.7	69.3	73.3
Net income	45.1	45.2	–103.8*	–108.0*	40.1

* The figures for 2008 include total negative, non-recurring and non-cash effects of € 275.4 million – of which € 145.6 million refer to Q3 and € 129.8 million to Q4.

Against a backdrop of greatly reduced stock market prices in 2008 for our strategic investments freenet (also via MSP Holding), Versatel, Drillisch and Goldbach Media, the Management Board and Supervisory Board resolved to write down the carrying values of the aforementioned companies to their market prices as of December 31, 2008 and to make further writedowns on the valuation of non-listed investments. These writedowns are included in particular in the items "Result from associated companies" (€ -234.2 million) and "Writedowns on investments" (€ -42.4 million). These impairment charges resulted in total non-cash, and non-tax-effective special items totaling € -275.4 million, which in turn led to net income of € –121.5 million and earnings per share (EPS) of € -0.52. Adjusted for these negative special items, net income remained virtually stable at € 153.9 million, compared with the previous year .

Cash flow, investment and finance

Despite high expenses for customer acquisition and retention, operative cash flow was slightly above the prior-level at € 210.5 million (prior year: € 209.8 million). The decline in cash flow from operating activities from € 291.9 million in the previous year to € 153.0 was primarily due to the increase in trade payables of € 73.3 million in the previous year, due to the balance sheet date, compared with a decrease in trade payables of € 62.1 million in 2008.

In terms of capital expenditures, the Group invested a total of € 237.2 million in 2008 (prior year: € 343.4 million). As in the previous year, the main item was the purchase of shares in associated companies / joint ventures amounting to € 160.7 million (prior year: € 309.3 million). This resulted mainly from the acquisition of shares in Versatel and freenet as well as contributions to EFF Funds No. 1 and No. 2. The sale of twenty4help in 2007 resulted in proceeds of € 85.2 million.

Investments in tangible and intangible assets amounting to € 42.0 million (prior year: € 58.8 million) focused mainly on the Product segment, and in particular on the scheduled expansion of data centers, infrastructure and server capacities. An amount of € 50.9 million was invested in other financial assets in 2008 (mainly for investments as part of EFF Fund No. 3). This was opposed by capital repayments from EFF Fund No. 1 and proceeds from the sale of our investment Bigpoint amounting to € 32.3 million. The disbursement of € 31.5 million in the previous year resulted mainly from the acquisition of shares in Drillisch AG.

With regard to cash flow from financing activities, proceeds from new loans totaling € 172.5 million (prior year: € 250.7 million) were offset mainly by disbursements for the acquisition of treasury shares amounting to € 51.6 million (prior year: € 133.8 million) and dividend payments of € 45.9 million (prior year: € 42.5 million)

Assets and equity

In 2008, the Group's overall asset structure was influenced in particular by the decrease in shares held in associated companies and joint ventures from € 309.0 million in the previous year to € 221.7 million – as a result of impairment charges on the carrying values of these companies. The shares held in associated companies consist mainly of our stake in Versatel AG (€ 116.4 million) and freenet AG (€ 44.8 million) as well as the investment in MSP Holding GmbH (freenet AG) amounting to € 16.8 million. Cash and cash equivalents amounted to € 55.4 million as of the balance sheet date (prior year: € 59.8 million). Total consolidated assets decreased from € 1,214.0 million in the previous year to € 1,102.0 million, of which goodwill accounted for € 388.8 million at year-end 2007 and € 378.9 million at year-end 2008.

Further details on financial instruments used by the Group are provided in section 41 of the notes to the consolidated financial statements.

Net borrowing grew from € 311.3 million in 2007 to € 489.0 million in 2008. This was mainly the result of largely debt-financed acquisitions and the purchase of treasury shares. Bank liabilities grew from € 371.1 million to € 544.4 million. Due to the deduction of treasury shares from shareholders' equity, and high impairment charges on the carrying values of our investments, the consolidated equity ratio fell from 31.6% to 13.2%. Mainly as a result of writedowns, the Group's accumulated profit fell from € 171.7 million in 2007 to € 5.6 million.

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

Annual financial statements of the parent company United Internet AG

Earnings of United Internet AG

In the period under review, sales of United Internet AG amounted to € 3.8 million (prior year: € 9.2 million) and mainly comprise services provided to the Group's subsidiaries. In the previous year, sales also included cost allocations within the Group for sponsoring activities in connection with the America's Cup.

Other operating income in the previous year amounting to € 77.2 million resulted mainly from the contribution of AdLINK shares to a 100% subsidiary of United Internet AG (€ 69.7 million) and from the sale of shares in NT plus (€ 6.2 million).

Due mainly to increased investment income from the operating subsidiary 1&1 Internet AG, income from profit transfer agreements increased to € 250.9 million. This was opposed by the loss transfer from United Internet Beteiligungen of € 93.4 million due above all to writedowns on financial assets.

As a result of the negative share price performance of our listed investments in freenet AG (via MSP Holding) and Versatel AG, as well as the treasury shares held by United Internet AG, there writedowns on financial assets and marketable securities of € 342.6 million in the period under review.

As a result of these writedowns on financial assets and marketable securities of € 342.6 million (prior year: € 0), pre-tax earnings of the parent company amounted to € -218.4 million (prior year: € 249.7 million). The parent company's net loss amounted to € 279.3 million – compared with a net profit of € 182.0 million in the previous year.

Assets and financial position of United Internet AG

The parent company's balance sheet is mainly influenced by shares in affiliated companies amounting to € 403.1 million (prior year: € 393.6 million) as well as by investments of € 169.6 million (prior year: € 291.8 million). The decline in investments results mainly from writedowns on the carrying values of investments amounting € 216.0 million. The main additions to investments in 2008 were the investment in Versatel AG (€ 57.3 million) and freenet AG (€ 36.5 million). As of December 31, 2008, United Internet held 22,000,000 treasury shares (prior year: 18,000,000). As a result of the share price value on the balance sheet date, treasury shares were written down by € 126.6 million.

Bank liabilities of United Internet AG result from a revolving syndicated loan, € 380 million of which had been drawn as of the balance sheet date (prior year: € 370 million), as well as a promissory note loan of € 150 million placed in 2008. The equity ratio fell to 31.0% as of December 31, 2008 (prior year: 58.4%), due in particular to partially debt-financed investments and high writedowns.

The Annual Shareholders' Meeting of United Internet AG followed the recommendation of the Management Board and Supervisory Board of United Internet AG and resolved on May 27, 2008 to pay a dividend of 20 cents per share (prior year: 18 cents). The total dividend payment of € 45.9 million was made on May 28, 2008. No dividend payment is planned for the fiscal year 2008.

Additional disclosures on financial instruments and financial risk management of the parent company

The main financial liabilities incurred by the parent company to finance its activities include bank loans, promissory notes, overdraft facilities, convertible bonds and other financial liabilities.

United Internet AG 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 held derivative financial instruments resulting mainly from an obligation to deliver shares in listed companies and interest-hedging agreements.

The aim of financial risk management is to limit these 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 market risks, as described below.

Liquidity risk

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 maintain continual coverage of its financial needs while securing flexibility by using overdraft facilities and loans.

Our global 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 which are available at short notice. These liquidity reserves consist of syndicated credit lines with varying terms.

The Company has no significant concentration of liquidity risks.

Market risk

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

Interest risk
The Company is exposed to interest risks as the major share of its borrowing as of the balance sheet date bears variable interest rates with varying terms. As part of liquidity planning we constantly monitor the various investment possibilities and borrowing terms. Borrowing requirements are met by using suitable instruments to manage liquidity, while 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 has increased since the previous year.

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.

Two interest hedging agreements totaling € 200 million were concluded in the period under review to cover the risk from interest rate changes.

Currency risk
The currency risk of United Internet results mainly from operating activities (if revenues and/or expenses are in a different currency than the Group's functional currency) and net investments in foreign subsidiaries. There were no foreign exchange risks with a significant impact on cash flow in the period under review.

Stock exchange risk (valuation risk)
A stock exchange risk results mainly from investments in listed companies. These investments are valued at cost. As soon as the (pro rata) stock exchange value of an investment lies permanently below its acquisition cost, the Company recognizes the impairment of this financial instrument in its result for the period.

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 (sales, gross profit, EBITDA and EBT) are mainly performance-oriented. 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, can issue new shares or purchase treasury shares. As of December 31, 2008 and December 31, 2007, no changes were made to the Company's targets, methods and processes.

Dividend

At the Annual Shareholders' Meeting on May 27, 2008, it was voted to accept the proposal of the Management Board and Supervisory Board of United Internet AG concerning the payment of a dividend of 20 cents per share (prior year: 18 cents). The payment of € 45.9 million in total was effected on May 28, 2008. In view of the balance sheet loss in the annual financial statements of the parent company United Internet AG, no dividend will be paid for the fiscal year 2008.

Investments as of December 31, 2008

In addition to its core brands, United Internet also holds investments in a number of other companies.

fun communications GmbH (United Internet stake: 49.00%) posted a positive operating result in the period under review.

Together with the Samwer brothers, United Internet has been investing since mid 2007 in funds with a variety of focus areas. In 2008, United Internet invested in around 60 companies via the three funds. Writedowns/impairments were made on the carrying values of certain portfolio companies as at the end of 2008.

On February 8, 2008, we acquired a 48.65% stake in the media holding company virtual minds AG. virtual minds posted a positive operating result in 2008.

On March 7, 2008, United Internet acquired 33.36% of shares in BW2 Group AG. BW2 offers professional CRM and ERP business solutions. The company is currently in the process of realigning its business model.

On July 1, 2008 United Internet acquired a 30% stake in Jimdo GmbH. With its "Jimdo" website tools, the company offers a service for the easy creation of private or commercial home pages. The company is still in the process of establishing its business.

The cellphone provider Drillisch AG, in which we have held a 9.68% stake since November 2007, posted a significant loss for its fiscal year 2008 as the result of high impairment charges.

United Internet acquired further shares in Versatel AG during the first half of 2008 and held a total stake of 25.21% in Versatel AG as of December 31, 2008. The company is expected to post a significant loss for its fiscal year 2008.

In January 2008, United Internet and Drillisch raised their shareholding in freenet AG to 24.52% via their jointly held company MSP Holding, in which each company holds a 50% stake. In the course of the capital increase of freenet AG, in connection with its acquisition of Debitel, the shares held by MSP Holding GmbH in freenet AG were diluted from 24.52% to 18.39% as of July 5, 2008. On December 29, 2008, United Internet acquired 10,798,817 shares in freenet AG from MSP Holding GmbH, equivalent to 8.43% of voting rights. The proceeds were used to reduce the financial liabilities of MSP Holding GmbH. After executing this share transfer, MSP Holding GmbH still holds 12,751,183 shares in freenet AG, or 9.96% of voting rights. Drilisch AG continues to hold 7.52% of the voting rights in freenet AG. Due to the contractual voting commitment between United Internet AG and Drillisch AG, there is no difference in the share of voting rights in freenet AG held by United Internet AG, together with Drillisch and MSP Holding, which still totals 25.91% – as before the share transfer. As a result of high impairment charges on the carrying value of the freenet shares, MSP Holding posted a significant loss for its fiscal year 2008.

Explanation of disclosures acc. to Secs. 289 (4), 315 (4) German Commercial Code (HGB)

Composition of capital

The subscribed capital of United Internet AG as of December 31, 2008, amounts to € 251,469,184 divided into 251,469,184 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.

The Management Board is not aware of any limitations affecting voting rights or the transfer of shares.

Direct and indirect participations in capital, special rights

The Company's CEO, Mr. Ralph Dommermuth, Montabaur, owns 92,000,000 shares or 36.58% of total shares in United Internet AG. Mr. 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 shareholdings in excess of 10% of voting rights, or of any 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 June 12, 2011 by a total of € 124,550,402.00 by issuing new no-par shares for cash and/or non-cash contributions. 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 € 92,000,000.00, divided into 92,000,000 no-par shares. 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 18, 2005 authorized the Company or a subordinated Group company to issue by May 17, 2010, providing the issue is in return for cash and the warrant or convertible bonds are not serviced from the stock of treasury shares or approved capital.

Capital stock has been increased conditionally by up to € 4,868,364.00, divided into 4,868,364 no-par registered shares. The conditional capital increase serves to grant conversion options to bearers of convertible bonds, for the issue of which an authorization resolution was passed by the shareholders' meeting on May 16, 2003.

Capital stock has been increased conditionally by up to € 3,000,000.00, divided into 3,000,000 no-par shares. The conditional capital increase serves to grant conversion options to bearers of convertible bonds, for the issue of which an authorization resolution was passed by the shareholders' meeting on May 18, 2005.

Powers of the Management Board to buy back shares

In accordance with Sec. 71 (1) No. 8 AktG, the Annual Shareholders' Meeting of May 27, 2008 authorized the Management Board to acquire, sell or cancel treasury shares of up to ten percent of its capital stock in the period ending November 26, 2009. The price for the acquisition of these shares may not be more than 10% lower or higher than the stock market price. 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.

The Management Board is authorized, subject to the approval of the Supervisory Board, to use these 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. This authorization 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, 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 Company's 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 treasury shares, 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.

At the Annual Shareholders' Meeting of May 27, 2008, the Management Board was also authorized to use bids and equity derivatives in the purchasing of treasury stock in accordance with Sec. 71 (1) No. 8 AktG and to exclude subscription and tender rights.

The Management Board is authorized, subject to the approval of the Supervisory Board, to conduct buybacks by means of bids, and/or to conduct buybacks by using equity derivatives, and to sell options which oblige the Company to purchase United Internet shares when such options are exercised ("put options"), to acquire options which grant the Company the right to buy United Internet shares when such options are exercised ("call options") and to buy United Internet shares by using a combination of put and call options.

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").

All share purchases using equity derivatives are limited to no more than five percent of capital stock. The term of the options must be selected in such a way that the purchase of United Internet shares when exercising the options does not occur before November 26, 2009.

If shares are acquired using equity derivatives in compliance with the above regulations, the rights of shareholders to conclude such option transactions with the Company are excluded, under the corresponding application of Sec. 186 (3) Sentence 4 AktG. Shareholders also have no right to conclude option transactions insofar as for the conclusion of option transactions there is a preferential offer for the conclusion of option transactions with regard to small lots of shares. Shareholders only have a right to tender their United Internet shares if the Company has an obligation toward them from option transactions to purchase the shares. Any further tender rights are excluded.

The use of treasury shares acquired by means of bids and/or equity derivatives is subject to the regulations and subscription right exclusions determined for the purchase of treasury shares pursuant to Sec. 71 (1) No. 8 AktG.

Subsequent events

According to leading market analysts, the predominantly positive conditions for those target markets of relevance to United Internet remain unchanged in 2009 – despite global recessionary tendencies.

On February 25, 2009, United Internet's subsidiary Sedo acquired all shares in its US competitor RevenueDirect. At the same time, Sedo agreed a close strategic alliance with the previous owner, Dotster. The acquisition of RevenueDirect will enable Sedo GmbH to significantly expand its share of the North American market. Sedo expects its alliance with Dotster – one of the "heavyweights" on the US domain registry market with over three million registered domains – to offer further strategic benefits with regard to its further expansion on the fiercely competitive US domain parking market.

Subject to approval from the respective anti-trust authorities, United Internet signed an agreement on December 12, 2008 with the owner of united-domains AG, LYCOS Europe NV, concerning United Internet's acquisition of united-domains. Following approval from the anti-trust authorities, the acquisition was concluded on February 27, 2009. united-domains is a specialist for the fast and simple registration of domain names with over 150 international domain endings. The profitable company was founded by a young team of software developers, business specialists and lawyers in August 2000 and has since become one of Europe's leading domain registries. united-domains currently administers over 1.1 million domains of around 180,000 customers. The company is still run by the founders Florian Huber (CEO), Alexander Helm and Markus Eggensperger, who will retain a shareholding of around 15% after the acquisition. In the run-up to the transaction, the value of united-domains AG was set at around € 34 million. The final purchase price will be determined after united domains AG has posted its annual financial statements for fiscal year 2008 and an accrual account based on the date of completion. The purchase price was settled fully in cash – whereby € 7 million will be held in escrow as a security guarantee for United Internet.

There have been no further subsequent events since year-end which have significantly altered the business situation of United Internet.

Risk report

Risk management system

The aim of risk management is to systematically deal with potential risks as well as to promote a risk-oriented approach throughout the entire organization. This controlled approach to risks is aimed at utilizing existing opportunities to the full and enhancing the company's success. The concept, organization and task of Enterprise Risk Management was defined by the Management Board and Supervisory Board of United Internet AG and documented as part of a risk manual available to all members of the Group. These requirements are continually compared with the changing legal conditions and adapted or developed further as required.

The risk management system is based on the COSO ERM framework, which we have adapted to the needs of United Internet AG. As part of our risk management process, we identify, classify and evaluate company risks in a standardized group-wide system with clear allocation of responsibilities. We use Enterprise Risk Management not only to identify risks which may endanger the Group's continued existence, but also to identify and monitor those risks which do not jeopardize our existence but which may have a significant negative impact on the Group's net assets, financial situation and results of operations.

The identified risks of United Internet AG are given a monetary rating where possible and assessed according to the probability of their occurrence. Wherever sensible, risk-limiting measures were defined for each significant risk. The current risk status is communicated to the Management Board and Supervisory Board on a quarterly basis. Sudden risk occurrences or significant changes in the risk situation trigger an ad-hoc reporting obligation. The respective risk is communicated immediately to the Management Board, and where necessary by them to the Supervisory Board.

Risks for future business development

The most significant risks and uncertainties to which the United Internet Group is exposed are presented below.

External risks

Threat potential of the internet
United Internet AG generates its commercial success largely within the environment of the internet. Our product portfolio comprises high-quality internet and telecommunication applications, as well as technically complex value-added products. In order to provide our products and services, we use information and telecommunication technologies (data centers, transmission systems, connection nodes etc.) in our business processes which are closely networked with the internet.

There is a general risk of hacker attacks with the aim of stealing, deleting customer data or using services fraudulently. We counter this risk with the aid of virus scanners, firewalling concepts and various technical monitoring mechanisms. United Internet AG is committed to continually enhancing and updating its security concept with the aid of its IT Security Management system. However, despite our IT security measures, the possibility of hackers gaining access to company networks, or customer accounts, and fraudulently using services (e.g. internet telephony) cannot be ruled out completely. To this end, emergency concepts have been developed aimed at minimizing possible damage and protecting the interests of our customers.

Over the past years there has been a steady increase in the amount of spam e-mails on the internet. For the mailing systems of United Internet AG, this has resulted in a significant rise in our capacity utilization with the effect that processes may be impeded. We continually monitor mail traffic and take precautions to keep spam to a minimum. Our active participation in cross-border working groups enables us to play a role in the definition of mail security standards, for example.

Should any of the above risks occur, this could have a negative impact on our image and reduce the trust placed in United Internet AG. In addition, the fraudulent use of our services can cause considerable damage.

Market regulation
In the field of internet access, the decisions of the Federal Network Agency and Federal Cartel Office in Germany have an influence on the pricing of internet access tariffs in the Product segment. 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 these tariffs. On the other hand, there is also the possibility that a lack of regulation may lead to a deterioration of market circumstances for United Internet AG under certain circumstances. United Internet attempts to counter this regulation risk by cooperating with several supply partners in our DSL business. Decisions taken by the Federal Network Agency in the field of internet telephony (VoIP) also have an impact on our business processes. External requirements of existing processes and new regulatory conditions could result in higher costs, which might have a negative impact on the competitiveness of United Internet and thus also on its profitability.

Competition
The German DSL market is in a phase of market share allocation, during which its former strong growth is subsiding. We assume that fiscal year 2009 will continue to be marked by takeovers and company mergers along the value chain. In addition to our major competitors, local town network operators, cable network operators and other network operators with their own infrastructure are active on the market. There is a risk that the achievable level of end-user prices may continue to fall and/or that customer acquisition costs may rise further. Increasing competition and/or falling prices might negatively impact our targeted market share of new customers and/or our net assets, financial situation and results of operations. United Internet attempts to counter these risks by, for example, developing innovative and high-value products, using exclusive sales channels, and creating high customer with complete packages and a variety of added values.

Dependency on customers/business partners
The advertising budgets of advertisers are highly dependent on the economic development, which is currently subject to many uncertainties. Moreover, advertising budgets are often awarded only for a single campaign. In the Online Marketing segment, a considerable proportion of sales is generated with individual key accounts. Business relations are once again due for renegotiation in fiscal year 2009. Should these business partners limit or cancel their relations with us, this would lead to a significant deterioration of our net assets, financial position and earnings in the Online Marketing segment. Our sub-group Online Marketing attempts to reduce this risk by using experienced key account managers, by maintaining close cooperation with our business partners, by widening our customer base, and in particular by offering a compelling range of products and services.

Operating risks

Product development
A significant success factor of United Internet AG is the development of new products and services for our core brands in order to provide new and existing customers with top-quality and innovative value-added internet services and thus raise the total number of customer contracts. There is always a risk, however, that new developments might be launched too late on the market or not accepted. United Internet AG attempts to minimize such risks by closely observing market trends and undertaking extensive product development. In cooperation with the Samwer brothers and the jointly held “European Founders Fund”, United Internet AG also supports European internet and technology companies in order to profit in future from their innovations.

Use of hardware and software
Our 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.). This infrastructure is subject to various malfunction risks, e. g. from overloading or technical defects. There is also the risk of targeted attacks from inside and outside the Company, e. g. from hackers or willful manipulation by staff. The integration of purchased business systems into the existing system landscape also bears the risks of interruptions and malfunctions due to the inherent complexity of our systems. Non-availability or deterioration of our services could have a sustained negative impact on the image and thus the operating business of United Internet AG. A wide variety of software- and hardware-based safety precautions have therefore been taken to protect our infrastructure and its availability. By dividing responsibilities, we have made sure that activities or business transactions involving risks are not carried out by single employees. Access restrictions also ensure that employees may only operate within their particular area. As a precautionary measure, all data are regularly backed up and hosted in separate data centers.

Legal risks

Property rights
Both United Internet AG and its competitors attempt to protect their property rights and proprietary technologies by means of patents, trademarks and copyrights. An infringement of our patents, trademarks and copyrights by competitors, however, cannot be excluded. This may reduce the competitive advantage we have achieved. In the same way, United Internet AG may also face damage claims for infringing rights or patents of which we had no knowledge.

Data protection
United Internet AG hosts the data of several million customers on its servers. These data are subject to certain legal regulations. We are aware of this responsibility and attach great importance to data protection, which is given particularly high priority throughout the Company. By using state-of-the-art technology and continually monitoring all data-protection regulations, we endeavor to guarantee a high standard of security. Should employees or third parties succeed, however, in willfully breaking through the various security measures and stealing personal data, United Internet AG might be made liable for any abuse.

Other risks

Acquisitions
Our long-term growth strategy also involves the option of quickly achieving critical mass in certain markets by means of acquisition or utilizing favorable market opportunities. Should the acquired companies not fulfill the expectations we placed in them, or should the integration processes to leverage synergies prove more difficult than planned, this may have a negative impact on the profitability and financial position of United Internet AG. We generally counter this risk by means of extensive due diligence audits prior to acquisitions, but cannot exclude such risks.

Writedowns / impairment
The same applies for – generally strategic – investments in listed companies. A change in the valuation basis caused by falling global share prices – as in 2008 – may require extensive writedowns on existing investments. Depending on the further share price development of our listed investments, there may be further non-cash-effective burdens on our operating business from writedowns/impairment.

Assessment of the overall level of risk

The main risks for the Company's current and future net assets, financial situation and results of operations focus on the areas of potential threats via the internet, market regulation, competition, the use of hardware and software, and acquisitions. The further expansion of our risk management system enables us to proactively counter such risks and to limit them to a minimum, where sensible, by introducing various measures. We judge the probability of such occurrences as very low to limited. There were no risks which directly jeopardized the continued existence of United Internet AG in the fiscal year 2008, neither from individual risk positions nor from the overall risk situation for the United Internet Group.

Dependent Company Report

In compliance with Sec. 312 (1) AktG, the Management Board of United Internet AG presented the Supervisory Board with a Dependent Company Report dealing with the Company's possible dependence on its CEO and major shareholder Mr. Ralph Dommermuth. It closes with the declaration that the Company received adequate compensation (quid pro quo) for each legal transaction in accordance with the circumstances known at the time when such transactions 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.

Outlook

Global economy 2009 near to zero growth

The International Monetary Fund (IMF) has reduced its economic forecast for 2009 once again. The IMF now expects the global economy to grow by just 0.5% in the current year. That would be the lowest growth rate since the end of World War Two, according to the updated "World Economic Outlook" report published in late January 2009. In November 2008 the IMF was still expecting growth of 2.2%: it therefore reduced its own forecast by 1.7 percentage points within just two months – whereby IMF Managing Director Dominique Strauss-Kahn did not exclude further reductions toward "zero" in mid February 2008. For 2010, the IMF expects global growth of 3.0%.

The financial problems remain acute and will also affect the real economy – states the IMF report. According to the IMF, a sustained economic recovery will not be possible until the finance sector is fully functional again and the credit crunch has been resolved.

Even worse than the IMF's forecast for the USA (-1.6%) is its expectation for the Euro zone (-2.0%).

All leading institutes also forecast a steep downturn for the German economy in 2009. The general view is that economic output will fall by around 2%. At the same time, Germany faces a considerable increase in borrowing in 2009, due in part to the direct consequences of the economic crisis and in part to the cost of the government's recovery packages. The German government hopes to support industry and consumers with investments, economic aid and tax breaks in order to dampen the effects of the expected recession.

Prospects for ITC markets remain healthy

The economic crisis has so far only had a limited impact on the high-tech industry. This was confirmed by a representative survey of the ITC sector, which the sector association BITKOM presented on the eve of the CeBIT fair in Hanover. According to the survey, 55% of companies questioned had so far felt no direct effects of the crisis on their business. The others reported lower sales or fewer new orders than expected before the crisis.

According to the latest survey, 46% of companies expect a turnaround in their sector already in 2009. 42% expect a marked improvement in 2010 and only 5% not until 2011.

Despite the difficult economic conditions, the association has confirmed its sales forecast for 2009. In other words, it expects the total German market for information technology, telecommunications and digital consumer electronics to maintain its prior-year level of around € 144.6 billion. In view of the uncertain economic situation, however, the association announced that it would review its forecasts after the first quarter.

BITKOM expects sales growth of 1.5% to around € 67 billion for the information technology segment in 2009. The outsourcing market in particular is expected to buck the trend with growth of 7% to € 14.6 billion, as more companies outsource IT tasks to external service providers to save costs and gain liquidity. In the field of telecommunication, BITKOM expects sales to fall by 1.2% to around € 65 billion in 2009. However, the association believes that this fall in sales will be due less to the economic crisis and more to failed EU intervention and fierce price competition. In 2008, for example, tariffs fell by an average of 3.3%. However. there are also segments which are still displaying strong growth, such as fixed-line data services and mobile telephony. In the digital consumer electronics segment, the market is expected to decline in 2009, after many years of strong growth. Total sales are expected to shrink by 2.5% to around € 12 billion in 2009. According to BITKOM, an innovation cycle will come to an end for consumer electronics in 2009. However, with internet TV (IP-TV) and the new mega-trend toward home networking, there are already new technologies waiting for their mass-market breakthrough.

Boom in broadband connections continues

According to the study "LIFE - Digitales Leben", published in late February, the trend toward broadband connections will continue. The experts forecast growth to 36 million broadband connections in Germany by 2015 and data transmission speeds of over 100 Mbit/s in some cases. The experts also expect mobile broadband connections (UMTS) to quadruple to 41 million by 2015.

Broadband means economic strength! Innovative broadband internet applications will continue to drive the development of the World Wide Web in future. Broadband internet therefore plays an extremely important role for our economy. In the study "Germany Online", experts predict that information technologies and telecommunication applications will grow significantly over the coming years. Their share of gross domestic product is expected to almost double to around 12% by 2015.

Based on the latest figures of market research institute EITO, BITKOM forecast in late February that the German market for fixed-line internet access would grow by 4.2% to € 13.8 billion in 2009, thus reaching a new record level. Despite the economic slump, it forecast that sales with private internet access alone would grow by 7.5% to € 8.8 billion in 2009.

Above all, this rapid growth means increasing bandwidths and thus an improved performance of the broadband network. Without this development, attractive applications like internet telephony, internet TV or video-on-demand would simply not be possible. The customer equates increased speed with greater convenience and new application possibilities. This market driver will continue to play a key role for web-based applications – such as software-as-a-service and cloud computing. Bandwidths must, and will, continue to grow. Already, the internet's global data volume is growing at an annual rate of 50-60% – states BITKOM.

Whereas broadband connections of over 16 Mbit/s are still restricted to very few households, such speeds are expected to be available to over 30% of all households by 2015. In contrast, the market share of the most widespread bandwidths under 6 Mbit/s will fall in the coming years. The trend is thus clear: the strong decline in lower-speed internet connections will go hand-in-hand with an increase in ultra-high bandwidth connections.

The ongoing boom in broadband connections will also positively impact many other markets in which we operate. With growing household penetration of broadband internet, we can offer new and innovative products and services which users can access without any drop in performance. At the same time, our online portals GMX, WEB.DE und 1&1 and marketing brands AdLINK Media, Sedo and affilinet will be able to use increasingly data-intensive advertising formats.

Further growth for webhosting and online advertising

Market researchers also predict continuing growth for the webhosting industry. Gartner and IDC forecast annual growth rates of 15% and 16% until 2010. In their European Managed Webhosting Forecast of October 2007, the experts of IDC predicted growth of 10.4% to USD 4.6 billion in 2009 – in the B-to-B hosting sector alone. Good growth opportunities are forecast for all European markets in which we operate: Germany (+8.4%), the UK (+10.4%), France (+9.9%), Austria (+11.3%) and Spain (+12.4%). New web-based services – subsumed under the terms "software-as-a-service" and "cloud computing" – will further strengthen this "outsourcing trend" (toward internet-based and away from PC-based applications).

The online advertising market is also expected to continue its strong growth – although a temporary but significant downturn is expected in 2009 as a result of the global economic problems.

The overall importance of online advertising in the total advertising mix will continue to rise. The "Marketers' Internet Ad Barometer 2008" report shows that eight out of ten European advertisers will invest more heavily in online advertising in the coming years. The study commissioned by the European Interactive Advertising Association, the association of pan-European online marketers and technology service providers, questioned marketing executives of leading European companies. According to the report, almost three quarters of all advertisers questioned in Europe (2008: 73%; 2006: 52%) used the internet increasingly as an advertising medium. Over one third of these deciders regard the internet as an essential channel for their marketing. In 2006 this proportion was just 17%. 82% of those companies which raised their online advertising budget in 2008, moved part of their media budget from print (40%), TV (39%) and direct marketing (32%) to the internet.

Although online advertising will continue to grow in importance in Germany, it will not be able to escape the effects of the general economic situation. The OVK's growth forecast for 2009 is thus much more conservative than in previous years. The online experts total growth of 10%. This corresponds to segment growth of 10% in both classic online advertising and search word marketing, and 15% in the affiliate networks. The OVK forecasts an increase in total to just over € 4 billion.

Opportunities for United Internet despite less encouraging environment

Thanks to our successful positioning in the growth markets of DSL, Webhosting, Portals and Online Marketing, we expect good growth opportunities in the medium term. Due to difficulty of forecasting the future economic development, however, all such forecasts are subject to uncertainty.

In view of the continued slump in advertising spending, and the resulting pressure on prices and margins, as well as the significant reductions in the forecasts of market researchers, we expect a difficult year for our Online Marketing business in 2009.

In our Product segment, we are confident that our international expansion strategy in the field of webhosting will continue to make good progress in the coming years and that we can maintain our dynamic growth – thanks in part to further product innovations such as the 1&1 Sector Home Page, and entry into further markets.

In view of our innovative products, such 1&1 DSL HomeNet, and attractive price-performance ratio, we also see good opportunities for our DSL business. In particular, we expect further successful growth from the migration of our customers to complete packages – of great importance to us with regard to customer retention.

All in all, we expect further growth in the number of customer contracts in all product lines, as the trend continues toward broadband connections and the resulting strong increase in web-based applications offered by our data centers.

The prospects for further growth are also encouraging for the marketing of our portals GMX, WEB.DE and 1&1 – albeit at a slower pace due to the current cyclical weakness of the market.

All in all, we expect slight growth in consolidated sales for 2009. After reaching new record levels for EBITDA and EBIT in 2008, we aim to hold EBITDA and EBIT at the prior-year level in fiscal year 2009 despite the weakness of the online advertising market.

Montabaur, March 16, 2009

The Management Board

Ralph Dommermuth, CEO
Norbert Lang, CFO

Consolidated Financial Statement acc. to IFRS

Consolidated Balance Sheet

as of December 31, 2008 in €k

ASSETS	Notes	December 31, 2008	December 31, 2007
Current assets			
Cash and cash equivalents	20	55,372	59,770
Accounts receivable and other assets	21	119,066	123,788
Inventories	22	19,048	16,785
Prepaid expenses	23	28,791	23,020
Loans to joint ventures	42	0	4,007
Other assets	24	12,737	16,371
		235,014	**243,741**
Non-current assets			
Shares in associated companies / joint ventures	25	221,684	309,023
Other financial assets	26	72,785	67,867
Property, plant and equipment	27	86,494	77,105
Intangible assets	28	97,512	120,031
Goodwill	29	378,876	388,822
Deferred tax asset	16	9,632	7,437
		866,983	**970,285**
Total assets		**1,101,997**	**1,214,026**
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Trade accounts payable	31	170,743	232,421
Liabilities due to banks	32	16,069	2,056
Advance payments received		6,453	6,069
Accrued taxes	33	33,855	30,172
Deferred revenue	34	106,401	102,200
Other accrued liabilities	35	4,513	7,683
Other liabilities	36 , 42	61,765	60,243
		399,799	**440,844**
Non-current liabilities			
Convertible bonds	37	74	245
Liabilities due to banks	32	528,301	369,049
Deferred tax liabilities	38	17,351	19,061
Other liabilities	36	10,892	886
		556,618	**389,241**
Total liabilities		**956,417**	**830,085**
Equity			
Capital stock	39	251,469	251,434
Additional paid-in capital	40	163,896	160,095
Accumulated profit		5,619	171,688
Treasury stock	39	–264,987	–213,338
Revaluation reserves	40	10,002	9,411
Currency translation adjustment		–28,692	–7,726
Equity attributable to shareholders of the parent company		**137,307**	**371,564**
Minority interests		8,273	12,377
Total equity		**145,580**	**383,941**
Total liabilities and equity		**1,101,997**	**1,214,026**

Consolidated Income Statement
from January 1, 2008 to December 31, 2008 in €k

	Notes	2008 January - December	2007 January - December
Sales	4	1,649,571	1,487,429
Cost of sales	5 , 9 , 11	–1,006,951	–896,001
Gross profit		**642,620**	**591,428**
Selling expenses	6 , 9 , 11	–278,564	–248,234
General administrative expenses	7, 9 , 11	–83,652	–82,470
Other operating expenses	8	–39,879	–34,380
Other operating income	8	46,567	42,386
Amortization of intangible assets resulting from company acquisitions	9	–21,283	–22,494
Amortization of goodwill	10	–9,244	–9,373
Operating result		**256,565**	**236,863**
Interest and similar expenses	12	–33,498	–6,674
Interest and similar income	13	3,928	2,049
Result from associated companies	14	–42,379	0
Result from at-equity companies	15	–234,193	2,284
Pre-tax result		**–49,577**	**234,522**
Income taxes	16	–71,886	–79,119
Net income before minority interests (from continued operations)		**–121,463**	**155,403**
Result from discontinued operations	17	–	68,098
Net income before minority interests (after discontinued operations)		**–121,463**	**223,501**
Attributabel to			
- minority interests		–1,280	3,283
- shareholders of United Internet AG		–120,183	220,218

Result per share of shareholders of United Internet AG (in €)			
- basic	18	–0.52	0.93
- diluted	18	–0.52	0.93
thereof result per share (in €) from continued operations			
- basic	18	–0.52	0.64
- diluted	18	–0.52	0.64
thereof result per share (in €) from discontinued operations			
- basic	18	–	0.29
- diluted	18	–	0.29
Weighted average shares (in million units)			
- basic	18	229.79	235.76
- diluted	18	229.79	236.63

Development of Segments

2008	**Product segment €k**	**Online Marketing segment €k**	**Head Office / Investments €k**	**Reconciliation €k**	**United Internet Group €k**
Total revenues	1,446,323	222,472	5,033	–	–
- thereof internal revenues	13,497	6,400	4,360	–	–
External revenues	1,432,826	216,072	673	–	1,649,571
- thereof domestic	1,308,074	124,594	673	–	1,433,341
- thereof non-domestic	124,752	91,478	0	–	216,230
EBITDA	298,575	12,912	7,281	–	318,768
Result from at-equity companies	–1,626	–60	–232,507	–	–234,193
Segment result	**249,224**	**–7,913**	**–290,888**	**–**	**–49,577**
Tax expense				–71,886	–71,886
Net income (from continued operations)					**–121,463**
Result from discontinued operations				–	–
Net income (after discontinued operations)					**–121,463**
Operative segment assets	632,491	167,632	453,695	–161,453	1,092,365
- thereof domestic	503,571	110,510	408,312	–161,453	860,940
- thereof non-domestic	128,920	57,122	45,383		231,425
Deferred tax claims				9,632	9,632
Total assets					**1,101,997**
Proportion from at-equity companies / joint ventures	0	1,153	220,531		221,684
Operative segment liabilities	376,264	101,149	589,066	–161,268	905,211
Accrued taxes				33,855	33,855
Deferred tax liabilities				17,351	17,351
Total liabilities					**956,417**
Investments in tangible and intangible assets	40,474	1,353	215		42,042
- thereof domestic	29,178	971	215		30,364
- thereof non-domestic	11,296	382	0		11,678
Amortization/depreciation of tangible and intangible assets	50,508	2,220	232		52,960
Amortization of goodwill	0	9,244	0		9,244
Write-downs on investments	0	7,894	34,485		42,379
Number of employees	4,020	516	29		4,565
- thereof domestic	3,304	285	29		3,618
- thereof non-domestic	716	231	0		947

2007	Product segment €k	Online Marketing segment €k	Head Office / Investments €k	Reconciliation €k	United Internet Group €k
Total revenues	1,274,326	229,191	10,514	–	–
- thereof internal revenues	12,469	4,299	9,834	–	–
External revenues	1,261,857	224,892	680	–	1,487,429
- thereof domestic	1,156,204	122,885	680	–	1,279,769
- thereof non-domestic	105,653	102,007	0	–	207,660
EBITDA	279,287	43,301	–13,761	–	308,827
Result from at-equity companies	–	173	2,111	–	2,284
Segment result	**219,966**	**29,602**	**–15,046**	**–**	**234,522**
Tax expense				–79,119	–79,119
Net income (from continued operations)					**155,403**
Result from discontinued operations				68,098	68,098
Net income (after discontinued operations)					**223,501**
Operative segment assets	637,465	192,279	463,293	–86,443	1,206,594
- thereof domestic	498,065	94,732	463,293	–86,443	969,647
- thereof non-domestic	139,400	97,547	0		236,947
Deferred tax claims				7,437	7,437
Total assets					**1,214,031**
Proportion from at-equity companies / joint ventures	–	–	309,023		309,023
Operative segment liabilities	347,835	111,683	407,394	–86,060	780,852
Accrued taxes				30,172	30,172
Deferred tax liabilities				19,061	19,061
Total liabilities					**830,085**
Investments in tangible and intangible assets	55,201	3,150	426		58,777
- thereof domestic	33,441	1,912	426		35,779
- thereof non-domestic	21,760	1,238	0		22,998
Amortization/depreciation of tangible and intangible assets	60,334	1,885	372		62,591
Amortization of goodwill	0	9,373	0		9,373
Number of employees	3,456	472	26		3,954
- thereof domestic	2,849	252	26		3,127
- thereof non-domestic	607	220	0		827

Consolidated Cash Flow Statement

from January 1, 2008 to December 31, 2008 in €k

	Notes	2008 January - December	2007 January - December
Cash flow from operating activities			
Net income (from continued operations)		–121,463	155,403
Net income (from discontinued operations)		0	68,098
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization of intangible assets and property, plant and equipment	9	31,677	40,097
Amortization of intangible assets resulting from company acquisitions	9	21,283	22,494
Amortization of other financial assets	14	42,379	0
Amortization of goodwill	10	9,244	9,373
Compensation expenses from employee stock option plans	37	4,020	1,605
Results of at-equity companies	25	234,193	–2,284
Distributed profit of associated companies	25	392	950
Income from deconsolidation of affiliated companies	17	0	–65,746
Income from deconsolidation of associated companies	25	–3,894	–4,591
Non-cash result from contribution aof assets	3	0	–16,808
Change in deferred taxes		–4,882	–742
Non-cash expenses / income		–2,448	1,928
Operative cash flow		**210,501**	**209,777**
Change in assets and liabilities			
Change in receivables and other assets		9,621	–20,144
Change in inventories		–2,264	–593
Change in deferred expenses		–5,148	–4,695
Change in trade accounts payable		–62,061	73,296
Change in advance payments received		384	629
Change in other accrued liabilities		–4,381	5,984
Change in accrued taxes		3,470	5,688
Change in other liabilities		–5,910	10,626
Change in deferred income		8,774	11,347
Change in assets and liabilities, total		**–57,515**	**82,138**
Cash flow from operating activities		**152,986**	**291,915**

	Notes	2008 January - December	2007 January - December
Cash flow from investing activities			
Capital expenditure for intangible assets and property, plant and equipment		–42,042	–58,777
Purchase of further shares in affiliated companies	3	–9,538	–37,949
Purchase of shares in affiliated companies	3	–10,323	0
Payments for additional refunding company acquisition costs	3	0	3,436
Payments from deconsolidation of affiliated companies	17	0	85,248
Purchase of shares in associated companies	25	–160,696	–309,299
Payments from deconsolidation of associated companies	25	12,268	6,881
Investments in other financial assets	26	–50,937	–31,465
Payments of loans granted to joint ventures	42	4,007	–4,000
Payments of loans granted		–400	–58
Disposal of assets		423	2,580
Repayments of associated companies		20,037	0
Cash flow from investment activities		**–237,201**	**–343,403**
Cash flow from financing activities			
Purchase of treasury stock	39	–51,649	–133,777
Change in bank liabilities	32	172,465	250,688
Repayed loans to associated companies	42	–2,800	2,800
Dividend payments	19	–45,886	–42,516
Minority interests		12,987	0
Payments to minorities		–66	–149
Capital increase		144	3,509
Payment of convertible bonds		–155	–230
Cash flow from financing activities		**85,040**	**80,325**
Net increase in cash and cash equivalents		825	28,837
Cash and cash equivalents at beginning of fiscal year		59,770	32,723
Currency translation adjustments of cash and cash equivalents		–5,223	–1,790
Cash and cash equivalents at end of fiscal year		**55,372**	**59,770**
Deposit of interests		2,036	1,206
Payments for interests		–27,632	–7,246
Deposit of taxes		16	830
Payments for taxes		–74,062	–71,389
Dividend payments received		1,768	623

Development of Consolidated Fixed Assets

in Fiscal Year 2008 and 2007 in €k

2008	ACQUISITION AND PRODUCTION COSTS						
	Jan. 1, 2008	Additions from initial consoli-dation	Additions	Disposals	Reclassi-fications	Currency trans-lation	Disposals from decon-solidation
Intangible assets							
Licenses	27,462	0	701	0	133	41	0
Order backlog	2,141	0	0	0	0	0	0
Software	34,367	0	3,633	10	–12	–283	0
Trademark	21,904	820	0	0	0	–1,301	0
Customer base	45,525	2,661	0	0	1	–5,260	0
Portal	72,240	0	0	0	0	0	0
Goodwill	399,874	9,302	7,399	0	0	–17,403	0
Total (I)	**603,513**	**12,783**	**11,733**	**10**	**122**	**–24,206**	**0**
Property, plant and equipment							
Land and buildings	6,986	0	1,061	0	0	0	0
Operational equipment	156,905	53	36,537	1,032	6,912	–2,730	0
Payments in advance	10,227	0	110	0	–6,966	93	0
Total (II)	**174,118**	**53**	**37,708**	**1,032**	**–54**	**–2,637**	**0**
Total	**777,631**	**12,836**	**49,441**	**1,042**	**68**	**–26,843**	**0**

2007	ACQUISITION AND PRODUCTION COSTS						
	Jan. 1, 2007	Additions from initial consoli-dation	Additions	Disposals	Reclassi-fications	Currency trans-lation	Disposals from decon-solidation
Intangible assets							
Licenses	33,781	0	2,399	197	–371	0	–8,150
Order backlog	2,141	0	0	0	0	0	0
Software	31,585	0	8,227	474	9	–99	–4,881
Trademark	22,282	0	0	0	0	–378	0
Customer base	47,098	0	0	0	0	–1,573	0
Portal	72,240	0	0	0	0	0	0
Goodwill	375,366	0	33,927	3,623	0	–5,168	–628
Total (I)	**584,493**	**0**	**44,553**	**4,294**	**–362**	**–7,218**	**–13,659**
Property, plant and equipment							
Land and buildings	6,986	0	0	0	0	0	0
Operational equipment	149,782	0	41,291	8,490	4,426	–3,018	–27,086
Payments in advance	8,256	0	6,860	0	–4,405	–484	0
Total (II)	**165,024**	**0**	**48,151**	**8,490**	**21**	**–3,502**	**–27,086**
Total	**749,517**	**0**	**92,704**	**12,784**	**–341**	**–10,720**	**–40,745**

	ACCUMULATED DEPRECIATION								NET BOOK VALUE	
Dec. 31, 2008	Jan. 1, 2008	Additions from initial consoli-dation	Additions	Dispo-sals	Reclas-sifica-tions	Currency trans-lation	Disposals from deconso-lidation	Dec. 31, 2008	Jan. 1, 2008	Dec. 31, 2008
28,337	22,405	0	2,770	0	29	7	0	25,211	5,057	3,126
2,141	1,680	0	461	0	0	0	0	2,141	461	0
37,695	25,424	0	5,496	8	15	–252	0	30,675	8,943	7,020
21,423	0	0	44	0	0	0	0	44	21,904	21,379
42,927	14,534	0	7,354	0	0	–1,303	0	20,585	30,991	22,342
72,240	19,565	0	9,030	0	0	0	0	28,595	52,675	43,645
399,172	11,052	0	9,244	0	0	0	0	20,296	388,822	378,876
603,935	**94,660**	**0**	**34,399**	**8**	**44**	**–1,548**	**0**	**127,547**	**508,853**	**476,388**
8,047	3,877	0	151	0	0	0	0	4,028	3,109	4,019
196,645	93,136	26	27,654	925	–44	–2,213	0	117,634	63,769	79,011
3,464	0	0	0	0	0	0	0	0	10,227	3,464
208,156	**97,013**	**26**	**27,805**	**925**	**–44**	**–2,213**	**0**	**121,662**	**77,105**	**86,494**
812,091	**191,673**	**26**	**62,204**	**933**	**0**	**–3,761**	**0**	**249,209**	**585,958**	**562,882**

	ACCUMULATED DEPRECIATION								NET BOOK VALUE	
Dec. 31, 2007	Jan. 1, 2007	Additions from initial consoli-dation	Additions	Dispo-sals	Reclas-si-fica-tions	Currency trans-lation	Disposals from deconso-lidation	Dec. 31, 2007	Jan. 1, 2007	Dec. 31, 2007
27,462	21,953	0	7,630	384	–5	–7	–6,782	22,405	11,828	5,057
2,141	1,128	0	552	0	0	0	0	1,680	1,013	461
34,367	20,780	0	9,673	436	5	–63	–4,535	25,424	10,805	8,943
21,904	0	0	0	0	0	0	0	0	22,282	21,904
45,525	7,361	0	7,491	0	0	–318	0	14,534	39,737	30,991
72,240	10,535	0	9,030	0	0	0	0	19,565	61,705	52,675
399,874	1,679	0	9,373	0	0	0	0	11,052	373,687	388,822
603,513	**63,436**	**0**	**43,749**	**820**	**0**	**–388**	**–11,317**	**94,660**	**521,057**	**508,853**
6,986	3,609	0	268	0	0	0	0	3,877	3,377	3,109
156,905	95,119	0	27,947	7,831	0	–1,525	–20,574	93,136	54,663	63,769
10,227	0	0	0	0	0	0	0	0	8,256	10,227
174,118	**98,728**	**0**	**28,215**	**7,831**	**0**	**–1,525**	**–20,574**	**97,013**	**66,296**	**77,105**
777,631	**162,164**	**0**	**71,964**	**8,651**	**0**	**–1,913**	**–31,891**	**191,673**	**587,353**	**585,958**

Consolidated Statement of Changes in Shareholders' Equity

from January 1, 2007 to December 31, 2008 in €k

	Capital stock		Additional paid-in capital	Accumulated profit	Capital stock	
	Share	€k	€k	€k	Share	€k
Balance as of January 1, 2007	**250,235,176**	**250,235**	**156,447**	**-6,014**	**8,226,072**	**-79,561**
Exercise of convertibles	1,198,796	1,199	2,043			
Employee stock ownership programme AdLINK			311			
Employee stock ownership programme United Internet			1,294			
Market value changes of available for sale securities after taxes						
Withdrawal of treasury shares					9,773,928	-133,777
Dividend payments				-42,516		
Currency translation adjustment						
Net income 2007				220,218		
Dividend payments						
Change amount of holding						
Balance as of December 31, 2007	**251,433,972**	**251,434**	**160,095**	**171,688**	**18,000,000**	**-213,338**
thereof result directly included in equity						
Balance as of January 1, 2008	**251,433,972**	**251,434**	**160,095**	**171,688**	**18,000,000**	**-213,338**
Exercise of convertibles		35	118			
Employee stock ownership programme AdLINK			1,269			
Employee stock ownership programme United Internet			2,598			
Market value changes of available for sale securities after taxes						
Others			-184			
Withdrawal of treasury shares					4,000,000	-51,649
Dividend payments				-45,886		
Currency translation adjustment						
Net income 2008				-120,183		
Dividend payments						
Change amount of holding						
Balance as of December 31, 2008	**251,433,972**	**251,469**	**163,896**	**5,619**	**22,000,000**	**-264,987**
thereof result directly included in equity						

						Total net income	
	Revaluation reserves	Currency translation	Equity attributable to shareholders of the parent company	Minority interests	Total equity	attributable to shareholders of United Internet AG	Minority interests
	€k	€k	€k	€k	€k	€k	€k
	1,373	**930**	**323,410**	**11,605**	**335,015**	**113,575**	**6,954**
			3,242		3,242		
			311		311		
			1,294		1,294		
	8,038		8,038	1,149	9,187	8,038	1,149
			–133,777		–133,777		
			–42,516		–42,516		
		–8,656	–8,656	–35	–8,691	–8,656	–35
			220,218	3,283	223,501	220,218	3,283
			0	–75	–75		
			0	–3,550	–3,550		
	9,411	**–7,726**	**371,564**	**12,377**	**383,941**	**219,600**	**4,397**
						–618	1,114
	9,411	**–7,726**	**371,564**	**12,377**	**383,941**	**220,749**	**4,397**
			153		153		
			1,269	153	1,422		
			2,598		2,598		
	591		591	–1,053	–462	591	–1,053
			–184		–184		
			–51,649		–51,649		
			–45,886		–45,886		
		–20,966	–20,966	93	–20,873	–20,966	93
			–120,183	–1,280	–121,463	–120,183	–1,280
			0	–66	–66		
			0	–1,951	–1,951		
	10,002	**–28,692**	**137,307**	**8,273**	**145,580**	**–140,558**	**–2,240**
						–20,375	–960

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2008

1 Information on the company

Nature of the business

According to its articles of incorporation, the business of United Internet AG (herein-after referred to as "United Internet AG", the "United Internet Group" or the "Company") is to provide marketing, sales or 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 operating 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.

In the last few years, United Internet AG has changed its strategic alignment, evolving from a pure provider of internet and IT marketing services to an operating management holding company for investments in various internet target segments, in particular in the field of internet service provision.

The Company is registered in 56410 Montabaur, Elgendorfer Strasse 57, Germany, and has branches or subsidiaries in Düsseldorf, Hanover, Karlsruhe, Cologne, Munich, Regensburg, Zweibrücken, Boston, Brussels, Cebu City, Chesterbrook, Gloucester, Haarlem, Las Vegas, Melbourne, Levallois-Perret, London, Madrid, Milan, Saargemünd, Slough, Vienna and Zug. With the exception of the building at Zweibrücken, all of the Company's buildings are leased.

The reporting company

The parent company, United Internet AG, was founded on January 29, 1998 as 1&1 Aktiengesellschaft & Co. KGaA. As a holding company, it assumed the functions of 1&1 Holding GmbH, which was merged into 1&1 Aktiengesellschaft & Co. KGaA with effect from January 1, 1998. Until its general meeting of shareholders on February 22, 2000, it traded under the name of 1&1 Aktiengesellschaft & Co. KGaA. At this general meeting it was decided to change the Company's name to United Internet Aktiengesellschaft & Co. KGaA and then to transform the Company into a stock corporation named United Internet AG. United Internet AG is registered at the district court of Montabaur under HR B 5762.

2 Accounting and valuation principles

2.1 Basis of preparation

In accordance with Article 4 of the so-called IAS Ordinance (Ordinance (EU) No. 1606/2002 of the European Parliament and Council of July 19, 2002 concerning the application of international accounting standards, ABl. EU No. L 243 p. 1), the United Internet Group prepares its consolidated annual financial statements according to IFRS (International Financial Reporting Standards). The Company also observed and applied the supplementary regulations of Section 315a (1) German Commercial Code (HGB). All IFRS standards valid on the balance sheet date and as applied within the European Union were observed.

The reporting currency is euro (€). Amounts stated in the notes to the financial statements are in euro (€), thousand euro (€k) or million euro (€m). The consolidated financial statements are always drawn up on the basis of historical costs. The exception to this rule are derivative financial instruments and available-for-sale financial investments, which are stated at fair value.

The balance sheet date is December 31, 2008.

The Supervisory Board approved the consolidated financial statements for 2007 at its meeting on April 2, 2008. The consolidated annual financial statements were published in the German Federal Gazette ("Bundesanzeiger") on April 9, 2008.

The consolidated financial statements for 2008 were prepared by the Company's Management Board on March 16, 2009 and subsequently submitted to the Supervisory Board. The consolidated financial statements will be presented to the Supervisory Board for approval on March 25, 2009.

2.2 Consolidation principles

The consolidated group comprises United Internet AG and all domestic and foreign subsidiaries (majority shareholdings) controlled by it. A company is deemed to be controlled, if the Company can determine its financial and business policies in order to gain an economic benefit. The annual financial statements of subsidiaries are pre-pared as to the same balance sheet date and using the same standardized accounting and valuation methods as those applied by the parent company.

All intercompany balances, transactions, income, expenses, profits and losses from intercompany transactions contained in the carrying value of assets are fully eliminated.

Subsidiaries are fully consolidated from the point of acquisition, i.e. from the date on which the Company gained control. Consolidation ends as soon as the parent company no longer has control over the subsidiary.

Minority interests represent the proportion of the result and net assets which is not attributable to the Group. Minority interests are disclosed separately in the consolidated balance sheet. Minority interests are disclosed in the consolidated balance sheet as part of shareholders' equity, but separate to the equity capital attributable to the shareholders of the parent company. The acquisition of minority shareholdings is accounted for using the so-called *"parent entity extension method"*. The difference between purchase price and book value of the proportion of net assets acquired is carried as goodwill.

The Group includes the following subsidiaries in which United Internet AG holds a direct or indirect majority interest (as indicated by the shareholdings in brackets). Unless otherwise stated, the shareholding corresponds to the proportion of voting rights:

1&1 Internet:

- 1&1 Internet AG, Montabaur (100.00 %)
  - 1&1 Internet Inc., Chesterbrook / USA (100.00 %)
    - A1 Media LLC, Chesterbrook / USA (100.00 %)
  - 1&1 Internet Ltd., Slough / UK (100.00 %)
  - 1&1 Internet S.A.R.L., Saargemünd / France (100.00 %)
  - 1&1 Internet Espana S.L.U., Madrid / Spain (100.00 %)
  - 1&1 Internet Service GmbH, Montabaur (100.00 %)
    - 1&1 Internet Service GmbH, Zweibrücken (100.00 %)
  - 1&1 Internet Services (Philippines) Inc., Cebu City, Phillipines (100.00 %)
  - 1&1 UK Holdings Ltd., Slough / UK (100.00 %)
    - Fasthosts Internet Ltd., Gloucester / UK (100.00 %)
      - Dollamore Ltd, Melbourne / UK (100.00 %)
      - Fasthosts Internet Inc., Chesterbrook / USA (100.00 %)
  - A1 Marketing Kommunikation und neue Medien GmbH, Montabaur (100.00 %)
  - GMX GmbH, Munich (100.00 %)
  - GMX Internet Services Inc., Chesterbrook / USA (100.00 %)
  - GMX Internet Services GmbH, Munich (100.00 %)
  - Immobilienverwaltung AB GmbH, Montabaur (100.00 %)
  - Immobilienverwaltung NMH GmbH, Montabaur (100.00 %)
  - United Internet Media AG, Munich (100.00 %)
  - UIM United Internet Media Austria GmbH, Vienna / Austria (100.00%)
  - WEB.DE GmbH, Montabaur (100.00 %)

United Internet Beteiligungen:

- United Internet Beteiligungen GmbH, Montabaur (100.00 %)
  - United Internet Beteiligungen International GmbH, Montabaur (100.00 %)
  - InterNetX GmbH, Regensburg (95.56 %)
    - Schlund Technologies GmbH, Regensburg (100.00 %)
    - PSI USA Inc., Las Vegas / USA (100.00 %)

AdLINK:

- AdLINK Internet Media AG, Montabaur (90.71 %)
  - AdLINK Internet Media S.A., Levallois-Perret / France (100.00 %)
  - AdLINK Internet Media N.V., Brussels / Belgium (100.00 %)
  - AdLINK Internet Media S.L.U., Madrid / Spain (100.00 %)
  - AdLINK Internet Media Ltd., London / UK (100.00 %)
  - AdLINK Internet Media B.V., Haarlem / Netherlands (100.00 %)
  - AdLINK Internet Media Srl., Milan / Italy (100.00 %)

- AdLINK Internet Media GmbH Deutschland, Düsseldorf (100.00 %)
  - net:dialogs GmbH, Montabaur (100.00 %)
  - Sedo GmbH, Cologne (75.94 %)
    - Sedo.com LLC, Cambridge (Boston) / USA (100.00 %)
    - DomCollect Worldwide Intellectual Property AG, Zug / Switzerland (100.00 %)
    - Intellectual Property Management Company Inc., Dover / USA (100.0%)
- affilinet GmbH, Munich (100.00 %)
  - affilinet Ltd., London / UK (100.00 %)
  - CibleClick Performances S.A., Levallois Perret / France (100.00 %)
    - affilinet SAS, Levallois Perret / France (100.00 %)

Sonstige:

- MIP Multimedia Internet Park GmbH, Zweibrücken (100.00 %)
- Inson HOLDING GmbH, Montabaur (100.00 %)
- European Founders Fund Nr. 2 Verwaltungs GmbH, Munich (90.00 %)
- European Founders Fund Nr. 2 Geschäftsführungs GmbH, Munich (90.00 %)
- European Founders Fund GmbH & Co. Beteiligungs KG Nr. 2, Munich (90.00 %)
- European Founders Fund Nr. 3 Verwaltungs GmbH, Munich (80.00 %)
- European Founders Fund Nr. 3 Management GmbH, Munich (80.00 %)
- European Founders Fund GmbH & Co. Beteiligungs KG Nr. 3, Munich (80.00 %)
  - European Founders Fund Nr. 3 Beteiligungs GmbH, Munich (100.00 %)

Due to the contractually agreed unanimity of voting on all shareholder resolutions, the Group cannot exert a controlling influence on EFF No. 2 and EFF No. 3 companies based on its voting majority alone. However, as the Group exerts control according to the indicators stated in SIC 12 *Consolidation – Special Purpose Entities*, these companies are consolidated.

Shareholdings in joint ventures are recognized using the equity method and comprise the following companies:

- Maxdome GmbH & Co. KG, Unterföhring (50.00 %)
- MSP Holding GmbH, Maintal (50.00 %)

All investments for which the Company can have a significant influence on their financial and business policies are recognized as associated companies according to IAS 28 using the equity method. They consist of the following main companies:

- European Founders Fund Verwaltungs GmbH, Munich (66.67%)
- European Founders Fund Management GmbH, Munich (66.67%)
- European Founders Fund GmbH & Co. Beteiligungs KG Nr.1, Munich (66.67%)
- fun communications GmbH, Karlsruhe (49.00 %)
- Virtual Minds AG, Freiburg (48.65 %)
- DomainsBot Srl, Rom / Italy (40.00 %)
- BW2 Group AG, Lachen / Switzerland (33.36 %)
- European Founders Fund Investment GmbH, Munich (33.33 %)
- Jimdo GmbH, Hamburg (30.00 %)
- Versatel AG, Berlin (25.21 %)
- Travel-Trex GmbH, Cologne (25.00 %)
- getAbstract AG, Luzern / Switzerland (22.00 %)
- internetstores AG, Esslingen (20.00 %)
- freenet AG, Büdelsdorf (8.43 %)

Due to the contractually agreed unanimity of voting on all shareholder resolutions, the Group cannot exert a controlling influence on EFF No. 1 companies, but only a significant influence. In contrast to its share in capital of 66.67%, the Group's participation in annual net profit is between 33.33% and 66.67% of EFF No. 1, depending on the fund's internal rate of return.

Despite holding 8.63% of voting rights in freenet AG, the Company believes it exerts a significant influence on the business policy of freenet AG due to a voting commitment agreed with Drillisch AG and MSP Holding GmbH.

Companies in which the Company has invested and over whose financial and business policies it has no significant influence (< 20% of voting shares) are included as financial instruments pursuant to IAS 39 and held as available-for-sale financial assets:

- Goldbach Media AG, Küsnacht-Zürich / Switzerland (14.99 %)
- Afilias Ltd, Dublin / Ireland (10.37 %)
- Drillisch AG, Maintal (9.68 %)
- Silverpop Systems Inc., Atlanta / USA (5.91 %)
- Xactly Corporation, San Jose / USA (5.26 %)
- Become Inc., Sunnyvale / USA (5.06 %)

2.3 Changes in accounting and valuation methods

Initial application of new accounting standards in the period under review

In October 2008 the IASB released amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*. The amendments *Reclassification of Financial Assets* were integrated by the European Union into EU law in October 2008. The amendment to IAS 39 allows the reclassification of certain originated financial assets at fair value into a different valuation category. In the case of reclassification, additional disclosures are required via the amendment to IFRS 7. The amendments became effective retroactively as of July 1, 2008. In the period under review, the United Internet Group had no financial assets which could be reclassified via the amendment to IAS 39. The application of the amendments to IAS 39 and IFRS 7 therefore has no effect on the presentation of the United Internet Group's net assets, financial situation and results of operations nor on its cash flows.

There were no other changes to the accounting and valuation methods compared with the previous year.

New accounting standards with no early adoption in the period under review

The IASB and IFRIC have also released the following standards and interpretations whose adoption was not mandatory in fiscal year 2008 and which were not voluntarily applied by the Company.

Already adopted as EU law under the comitology procedure:

- IFRS 8 – Operating Segments
- IAS 23 – Borrowing Costs
- IAS 1 – Presentation of Financial Statements
- Amendments to IFRS 1 and IAS 27 – Acquisition Costs of an Investment in a Subsidiary, Jointly Controlled Entity or Associated Company
- Amendments to IFRS 2 – Vesting Conditions and Cancellations
- Amendments to IAS 32 and IAS 11 – Puttable Financial Instruments and Obligations Arising on Liquidation

The main effects of these amendments for the United Internet Group were as follows:

IFRS 8 – Operating Segments
IFRS 8 was released in November 2006 and is to be applied for the first time in the reporting period beginning on or after January 1, 2009. IFRS 8 requires the disclosure of information about a company's operating segments and replaces the obligation of IAS 14 to specify primary and secondary segment report formats for a company. IFRS 8 follows the so-called management approach according to which segment reporting only conforms to the financial information the company's executives use for the internal management of the company. Decisive are the internal reporting and organizational structures as well as such financial values considered when deciding on the allocation of resources and the evaluation of profitability.

The new standard will influence the mode of the presentation of financial information on the Group's business segments but will not affect the inclusion and valuation of assets and liabilities in the consolidated financial statements.

IAS 23 – Borrowing Costs
Revised standard IAS 23 was released in March 2007 and is applicable in the reporting period beginning on or after January 1, 2009. The standard ends the former option right and requires borrowing costs that can be attributed to a qualified asset to be capitalized. An asset is defined as a qualified asset if a considerable period of time is necessary to put the asset in its intended condition for use or sale. The transitional provisions provide for the revision to be applied prospectively.

As the Group does not hold any qualified assets, the application of this standard has no effect on the consolidated financial statements.

IAS 1 – Presentation of Financial Statements
The revised standard IAS 1 was released in September 2007 and is applicable for the reporting period beginning on or after January 1, 2009. The revised version of the standard includes material changes to the presentation and disclosure of financial information in the financial statements. In future, only transactions with shareholders in their capacity as providers of equity capital may be disclosed in the statement of changes in equity. Other changes in equity are to be disclosed in the presentation of "comprehensive income" for the period, which can be presented either in one single statement or in the form of two statements: a profit

and loss statement and a comprehensive income statement. Furthermore, the standard requires that a company includes a balance sheet in its annual financial statements of the earliest comparison period if it retroactively applies an accounting method, or retroactively corrects or reclassifies an item.

The new standard will have an effect on the mode of publication of the Group's financial information, yet it will not affect the inclusion and valuation of assets and liabilities in the consolidated financial statements.

Amendments to IFRS 1 and IAS 27 – Acquisition costs of an investment in a subsidiary, jointly controlled entity or associated company

The amendments to IFRS 1 and IAS 27 were released in May 2008 and are first applicable in the reporting period beginning on or after January 1, 2009. The amendments to IFRS 1 allow a company to determine the acquisition cost of an investment in a subsidiary, jointly controlled entity or associated company in its IFRS opening balance sheet also by using the carrying amounts or fair values of the previous GAAP as a substitute for acquisition cost (deemed cost). The amendments to IAS 27 only affect the separate annual financial statements of a parent company and require in particular that all dividends of subsidiaries, jointly controlled entities or associated companies are to be recognized in profit and loss of the separate annual financial statements. The transitional provisions provide for the revision to be applied prospectively.

As the regulations concerning initial adoption of IFRS and the regulations for separate annual financial statements of a parent company are not pertinent for the Group, this revision will have no impact on the consolidated financial statements

Amendments to IFRS 2 – Vesting Conditions and Cancellations

The amendment of IFRS 2 was released in January 2008 and is first applicable for the reporting period beginning on or after January 1, 2009. The revision clarifies the term "vesting conditions" and also regulates accounting procedures on the termination of share-based compensation plans by employees. The transitional provisions provide for retrospective application of the revision.

Due to the Group's insignificant amount of share-based compensation, the initial application of this revision in future will have no significant effect on the consolidated financial statements.

Amendments to IAS 32 and IAS 1 – Puttable Financial Instruments and Obligations Arising on Liquidation

The amendments of IAS 32 and IAS 1 were released in February 2008 and are applicable in the reporting period beginning on or after January 1, 2009. The revision introduces an exception which allows puttable financial instruments to be classified as equity if they meet certain criteria. Disclosures about these financial instruments are still mandatory.

The amendments to these standards are not expected to affect the Group's net assets, financial situation and earnings, as the parent company has not issued such instruments.

Improvements to IFRS 2008

The amendments from the Improvement Project 2008 were released in May 2008 and – with the exception of IFRS 5 (here from July 1, 2009) – are first applicable for fiscal years beginning on or after January 1, 2009. In the course of the Improvement Project 2008, a number of material amendments were released which affect accounting and measurement methods, as well as purely editorial amendments. The latter concern, for example, individual definitions and formulations aimed at maintaining consistency with other IFRS standards. The Company has not yet adopted the following amendments:

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*
  It was clarified that all assets and liabilities of a subsidiary whose sale would result in a loss of control of this subsidiary are also to be classified as available-for-sale if the company maintains a non-controlling interest in its former subsidiary after the sale.

- *IAS 1 Presentation of Financial Statements*
  It was clarified that financial instruments classified as held-for-trading are not necessarily to be classified as current assets or liabilities in the balance sheet. The term "current" is based solely on the accrual criteria contained in IAS 1.

- *IAS 10 Events after the Reporting Period*
  It was clarified that dividends decided after the end of the reporting period, but before approval to publish the annual financial statements, do not represent an obligation as of the balance sheet date and should therefore not be recognized in the annual financial statements as a liability.

- *IAS 16 Property, Plant and Equipment*
  Revenue from property, plant and equipment held for letting purposes which are normally sold after letting as part of ordinary operations, is to be disclosed under sales revenue.

- *IAS 19 Employee Benefits*
  In addition to the revision of several definitions, it was clarified that plan changes which result in a reduction of benefits for services to be rendered in future periods, are to be recognized as a plan curtailment. Plan changes for which the curtailment refers to services already rendered, however, are to be recognized as a past service cost.

- *IAS 20 Accounting for Government Grants and Disclosure of Government Assistance*
  In the case of low- or zero-interest loans, companies must calculate the interest benefit in future. The difference between the amount received and the discounted amount is to be carried as a government grant.

- *IAS 23 Borrowing Costs*
  The definition of borrowing costs was revised insofar as the guidelines in IAS 39 regarding the effective interest rate were adopted.

- *IAS 27 Consolidated and Separate Financial Statements acc. to IFRS*
  It was clarified that the accounting of a subsidiary at fair value pursuant to IAS 39 in the separate annual financial statements of a parent company must also be maintained if the subsidiary is classified as an asset held for sale.

- *IAS 28 Investments in Associates*
  As the goodwill contained in the carrying value of an investment in an associated company is not separately disclosed, it is not separately tested for any impairment. Instead, the entire carrying value of the investment is tested for impairment as a single asset and written down as necessary. It was now clarified that also the reversal of an impairment loss recognized for an investment in an associated company in an earlier reporting period is to be recognized as an increase in vale of this investment as a whole and not allocated to the goodwill it contains. A further amendment concerns the disclosure obligations for such investments in associates, which are carried at fair value in accordance with IAS 39. In future, only the requirements of IAS 28 are applied which stipulate that the type and scope of significant restrictions in the ability of the associate to transfer finance to the company in the form of cash or loan redemption are to be specified.

- *IAS 29 Financial Reporting in Hyperinflationary Economies*
  It was clarified that in annual financial statements prepared on the basis of historic cost, assets and liabilities which are or can be measured at fair value are not necessarily restricted to property, plant and equipment and financial investments.

- *IAS 31 Interests In Joint Ventures*
  The amendment only concerns disclosure obligations for those interests in joint ventures carried at fair value in accordance with IAS 39. In future, only those requirements of IAS 31 are applied to these interests in which the obligations of the partner company and of the joint venture are to be stated together with a summary of financial information concerning the assets, liabilities, income and expenditure.

- *IAS 34 Interim Financial Reporting*
  It was clarified that diluted and undiluted earnings per share must only be stated in the interim financial report if the company is subject to the application area of IAS 33.

- *IAS 36 Impairment of Assets*
  The disclosure requirements were simplified for the determination of “value in use” and “fair value less transaction costs”, calculated on the basis of a discounted cash flow model.

- *IAS 38 Intangible Assets*
  Expenditure for goods and services used for advertising campaigns and sales promotion activities (including mail order catalogs) are recognized as an expense in future if the Group has received the right to access the goods or services. The application of the performance-related depreciation method for intangible assets is still allowed without restriction.

- *IAS 39 Financial Instruments: Recognition and Measurement*
  After initial recognition, derivatives can be designated as “at fair value through profit or loss” or removed from this category due to a change in circumstances, as this does not qualify as a reclassification as defined by IAS 39. The reference

to a “segment”, regarding whether an instrument fulfilled the criteria for a hedge instrument, was also cancelled. It was also clarified that the newly calculated effective interest rate is to be used for the valuation of a debt instrument when the hedging relationship is no longer carried in the balance sheet to hedge against fair value.

- *IAS 40 Investment Property*
  Property under construction, which is produced or developed for use as an investment, is not to be classified as property, plant and equipment in future but as an “investment property” measured at cost or fair value. If the company uses the fair value model, and if fair value cannot be reliably measured, the property under construction is valued at cost until fair value can be measured or construction is completed.

- *IAS 41 Agriculture*
  The limitation on the use of a discount rate before tax for measuring fair value was cancelled. Moreover, the prohibition to consider cash flows from additional biological transformations and other future company transactions when estimating fair value was also cancelled.

The United Internet Group expects that the amendments from the Improvement Project will have no significant effects on the consolidated financial statements.

- *IFRIC 13 Customer Loyalty Programs*
  IFRIC Interpretation 13 was released in June 2007 and is initially applicable in the reporting period beginning on or after July 1, 2008. According to this interpretation, benefits granted to customers are to be recognized as a separate element of the revenue activity in which they were granted. Part of the fair value of the proceeds received is therefore allocated to customer benefits and deferred as a liability. Revenue is recognized in the period in which the customer benefits granted are exercised or expire.

  As the Group does not currently operate such customer loyalty programs, this interpretation has no effect on the consolidated financial statements.

- *IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
  IFRIC Interpretation 14 was released in July 2007 and is to be applied no later than in the first fiscal year beginning after December 31, 2008. This interpretation provides guidelines for the determination of the limit on the amount of the surplus from a defined benefit plan that can be capitalized as an asset according to IAS 19: Employee benefits.

  As the Group has not established any defined benefit plans, no effect on the consolidated financial statements is expected from this interpretation.

Not yet adopted as EU law under the comitology procedure:

- IFRS 1 – First-time Adoption of IFRS
- IFRS 3 – Business Combinations
- IAS 27 – Consolidated and Separate Financial Statements acc. to IFRS
- Amendment to IAS 39 – Eligible Hedged Items
- IFRIC 12 – Service Concession Arrangements
- IFRIC 15 – Agreements for the Construction of Real Estate
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 – Distributions of Non-cash Assets to Owners
- IFRIC 18 – Transfers of Assets from Customers

The main effects of these changes were as follows:

- **IFRS 1 – First-time Adoption of IFRS**

The revised standard IFRS 1 was released in November 2008 and is to be applied for the first time for fiscal years starting on or after January 1, 2009. The revision of the standard only included editorial amendments and a restructuring of the standard. There are no amendments to accounting and valuation regulations for the first-time adoption of IFRS resulting from the revision.

- **IFRS 3 – Business Combinations**

The amended standard IFRS 3 was released in January 2008 and is applicable for the fiscal years beginning on or after July 1, 2009. Within the context of a convergence project of IASB and FASB, this standard was subjected to a thorough revision. The essential changes particularly concern the introduction of a right to choose for the valuation of minority interest between accounting of the proportionate identifiable net asset (so-called *purchased goodwill* method) and the so-called *full goodwill* method, according to which full goodwill is recognized, including the portion attributable to minority equity holders. Furthermore, the revaluation of existing investments upon first-time obtainment of control in the income statement (successive business acquisition), the mandatory accounting of a consideration tied to the occurrence of future events at the time of acquisition, and the treatment of transaction costs as in-come-effective are particularly worth mentioning. The transitional provisions provide for the revision's prospective application. No changes arise for asset and liabilities resulting from business combinations prior to the first-time application of the new standard.

As the Company will probably continue to apply the purchased goodwill method for future business combinations, there will be no effects from the new regulation. Re-valuation in the course of successive company acquisitions and the mandatory recognition of conditional compensation at the time of purchase may lead to higher goodwill values. The treatment of transaction costs as income-effective will have an effect on future results.

IAS 27 – Consolidated and Separate Financial Statements acc. to IFRS

Revised standard IAS 27 was released in January 2008. The changes are applicable for the fiscal years beginning on or after July 1, 2009. The changes result from a joint project of IASB and FASB for the revision of accounting regulations for business combinations. The changes primarily concern the accounting of investments with no control over the entity (minority interest), participating in the Group's losses to the full amount in the future, and of transactions that lead to a loss of control over a subsidiary and whose consequences shall be recognized in the income statement. The consequences of the sale of investments not resulting in a loss of control shall be recognized in equity, not affecting net income. The transitional provisions, generally requiring a retrospective application of realized changes, provide for a prospective application with respect to the above-mentioned cases. Therefore no changes arise for assets and liabilities resulting from such transactions prior to the first-time application of the new standard.

In the case of future acquisitions, as well as transactions and sales of minority shareholdings resulting in the loss of a controlling interest, the new regulations will have a corresponding effect on future results and the size of equity capital.

Amendments to IAS 39 – Eligible Hedged Items

The amendments to IAS 39 were released in July 2008 and are applicable retrospectively for fiscal years beginning on or after July 1, 2009. The amendment specifies how the principles contained in IAS 39 regarding the designation of hedging instruments of a one-sided risk in a hedged item and the designation of inflation risks as a hedged item are to be applied. The amendment clarifies that it is permissible to designate only part of the changes in fair value or of cash flow fluctuations of a financial instrument as a hedged item.

The Group's accounting of hedging instruments is not affected by this amendment.

IFRIC 12 – Service Concession Arrangements

IFRIC Interpretation 12 was released in November 2006 and is generally applicable for fiscal years beginning on or after January 1, 2008. This interpretation has not yet been adopted as EU law. The interpretation governs the accounting of obligations assumed and rights granted within the context of service concession arrangements in the lessee's financial statements.

The companies included in the consolidated financial statements are not lessees of concessions pursuant to IFRIC 12. This interpretation will therefore have no effect on the Group.

IFRIC 15 – Agreement for the Construction of Real Estate

IFRIC Interpretation 15 was released in July 2008 and is applicable for the fiscal years beginning on or after January 1, 2009. This interpretation provides guidelines about the time and scope of income recognition from projects to construct real estate.

IFRIC 15 will not affect the consolidated financial statements as IFRIC 15 is not applicable to the Group.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

IFRIC Interpretation 16 was released in July 2008 and is applicable for the fiscal years beginning on or after October 1, 2008. IFRIC 16 provides guidelines for recognizing hedges of a net investment. The interpretation provides guidelines for identifying foreign exchange risks which can be hedged against as part of a hedge of a net investment, which Group companies can hold the hedging instruments of the net investment, and how a company should measure foreign currency gains or losses which is to be reclassified from equity to profit and loss when selling the hedged foreign operation. This interpretation is to be applied prospectively.

IFRIC 16 will not have any significant impact on the consolidated financial statements.

IFRIC 17 – Distributions of Non-cash Assets to Owners

IFRIC Interpretation 17 was released in November 2008 and is applicable for the fiscal years beginning on or after July 1, 2009. This interpretation gives guidelines on the accounting and measurement of obligations which provide for the distribution of non-cash assets to the owners. In particular, the interpretation clarifies the time, valuation and disclosure of such obligations. It stipulates that such an obligation is to be carried and measured at fair value if the company can no longer avoid such obligations. The measurement of the obligation and any changes in fair value of the asset concerned are to be carried in equity. An effect on profit or loss in the amount of the difference between fair value and the asset's carrying value only occurs at the time when this asset is transferred to the owner. This interpretation is to be applied prospectively.

IFRIC 17 will have no effect on the consolidated financial statements, as no distribution of non-cash assets within the Group is expected.

IFRIC 18 – Transfers of Assets from Customers

IFRIC Interpretation 18 was released in January 2009 and is applicable for the fiscal years beginning on or after July 1, 2009. This interpretation gives guidelines on the accounting of agreements in which an entity receives from a customer an item of property, plant, and equipment or cash which the entity must then use to connect the customer to a network and/or to provide the customer with ongoing access to a supply of goods or services. In particular, the interpretation provides guidance on how to account for customer contributions as well as the time and scope of income recognition from such business transactions. This interpretation is to be applied prospectively.

IFRIC 18 will have no effect on the consolidated financial statements, as the Group does not conduct such business transactions.

2.4 Significant accounting judgments, estimates and assumptions

The application of accounting and valuation methods in preparing the consolidated financial statements requires management to make certain accounting judgments, estimates and assumptions. These have an effect on the disclosed amounts of earnings, expenditure, assets and liabilities, as well as contingent liabilities, as of the balance sheet date. Actual amounts may differ from these estimates and assumptions, which may lead in future to significant adjustments to the carrying values of the assets and liabilities concerned.

Accounting judgments

In the application of accounting and valuation methods, management made the following accounting judgments which significantly affect amounts in the annual financial statements.

Special-purpose entities

the Group acquired shares in the special-purpose entities European Founders Fund No. 1 to No. 3. On analysis of the contractual terms of the bylaws under consideration of SIC-12 *Consolidation – Special Purpose Entities*, it was noted that:

- United Internet AG does not control European Founders Fund No. 1, but
- United Internet AG controls European Founders Fund No. 2 and
- United Internet AG controls European Founders Fund No. 3

European Founders Fund No. 2 and No. 3 were thus included in the consolidated financial statements as a subsidiary while European Founders Fund No. 1 is treated as an associated company, due to the significant influence which United Internet AG can exert.

Estimates and assumptions

The most important forward-looking assumptions and other major sources of uncertainty as of the balance sheet date, which involve the risk of significant adjustments to the carrying values of assets and liabilities in the coming fiscal year, are explained below.

Impairment of non-financial assets

The Company assesses on every balance sheet date whether there is any indication of impairment of its non-financial assets. Goodwill and other intangible assets with undefined useful lives are assessed at least once a year or on indication of impairment. Other non-financial assets are tested for impairment if there is any indication that the carrying value exceeds the recoverable amount.

In order to estimate value-in-use, management must estimate expected future cash flows of the asset or cash-generating unit and select a suitable discount rate to assess the present value of these cash flows. Further details, including a sensitivity analysis of significant assumptions, are presented in the Note “Impairment of goodwill and intangible assets with unlimited useful lives”.

Impairment of available-for-sale financial investments

The Company classifies certain assets as available-for-sale and recognizes changes in their fair value directly in equity. If the fair value falls, management makes assumptions about the loss in value in order to determine whether it constitutes an impairment which must be expensed in the income statement. A significant or persistent decrease in the fair value of an equity instrument below its acquisition cost may constitute an objective indication of impairment. The carrying value of available-for-sale financial investments amounted to € 70,498k (prior year: € 62,472k) as of December 31, 2008.

Calculating the profit contribution of associated companies and joint ventures

Investments in associated companies and joint ventures are valued according to the *equity method* and carried in the consolidated financial statements. As the financial information from associated companies and joint ventures is in part incomplete as of the balance sheet date, the prorated transfer of results considers in part assumptions made by the management of the United Internet Group. These assumptions concern, for example, adaptations to standard accounting and valuation methods (IAS 28.26), effects from purchase price allocations to be conducted (IAS 28.23) and the underlying period results. In the course of such estimations there are areas of discretion and uncertainty.

Estimations of the profit contribution of listed associated companies and joint ventures are subject in part to the profit forecasts of external financial analysts. The carrying value of investments in associated companies and joint ventures amounted to € 221,684k (prior year: € 309,023k) as of December 31, 2008.

Impairment test for investments in associated companies and joint ventures

As of the balance sheet date, the United Internet Group holds investments in various associated companies and joint ventures. In accordance with IAS 28.31, the Company examines on the balance sheet date whether the net investment of the United Internet Group in the respective associated company or joint venture requires an additional impairment charge.

In the case of capital market-oriented companies, the calculation of the recoverable amounts is based mainly on the respective shares price on the balance sheet date. The recoverable amounts of non-listed companies is based both on available past experience for the respective company and expectations of its future development. As these expectations are based on numerous assumptions, the calculation of recoverable amounts depends on discretionary factors. As of December 31, 2008, the fair value of investments in associated companies and joint ventures amounted to € 221,684k (prior year: € 309,023k).

Share-based payments

The Group measures the cost of granting equity instruments to employees by using the fair value of these equity instruments at the moment they were granted. A suitable valuation model must be used to estimate fair value when granting equity instruments; this depends on the contractual terms. Suitable data must also be chosen for the valuation process, including the expected option term, volatility and dividend yield, as well as the corresponding assumptions.

Deferred tax assets

Deferred tax assets are recognized for all unused tax loss carryforwards, to the ex-tent for which it is probable that future taxable profit will be available. In order to assess the amount of deferred tax assets, management must make significant judgments based on the likely timing and level of future taxable income as well as future tax planning strategies. As of December 31, 2008, the carrying value of deferred tax assets for tax losses considered amounted to € 2,712k (prior year: € 6,097k). Further details are provided in Note 16.

Trade accounts receivable

Trade receivables are carried in the balance sheet less impairment charges made. Allowances for doubtful claims are made on the basis of a systematic review as well as valuations conducted as part of credit monitoring. Assumptions concerning the payment behavior and creditworthiness of customers are subject to significant uncertainties. The carrying value of trade receivables amounted to € 119,066k (prior year: € 123,788k) as of December 31, 2008.

Tangible and intangible assets
Property, plant and equipment and intangible assets are valued at cost on initial recognition. Property, plant and equipment and intangible assets with limited useful lives are then depreciated over their expected economic useful lives using the straight-line method. Expected useful lives are based on historical experience and thus subject to significant uncertainties, especially with regard to unforeseen technological developments. The carrying value of tangible and intangible assets amounted to € 162,627k (prior year: € 175,232k) as of December 31, 2008.

Provisions
Provisions are formed if the Group has a legal or actual obligation resulting from a past event which will probably give rise to the outflow of resources with an economic benefit to fulfill the obligation, provided that the level of the obligation can be reliably estimated. Such estimates are subject to significant uncertainties. The carrying value of provisions amounted to € 4,513k (prior year: € 7,683k) as of December 31, 2008.

2.5 Summary of significant accounting and valuation methods

Revenue recognition

Revenue is recognized separately for each of the Group's different segments (see Note 4).

Revenue is recognized when it is probable that the Group will receive an economic benefit and the amount of revenue can be reliably determined. Revenue is measured at the fair value of the compensation received. Discounts, rebates, sales tax or other charges are not considered. The recognition of revenue must also fulfill the following measurement criteria.

Revenues in the separate segments are recognized according to the following principles:

Product segment
The Product business mainly comprises the product lines Internet Access (narrowband, mobile internet access and DSL products with internet telephony, video-on-demand and mobile telephony), shared and dedicated web hosting and the portal business with advertising and e-commerce revenues as well as paid mainly portal-based value-added services.

- *Internet access*
In the Internet Access product line, the Company generates revenue mainly from the provision of narrowband and mobile internet connections and DSL access, bundled with internet telephony, video-on-demand and mobile telephony. Revenue consists of fixed monthly basic fees, as well as variable usage fees for internet connections and access, provision fees and market development cost subsidies for new customers, proceeds from the sale of the respective hardware and software, fixed monthly basic fees for subscriptions to video-on-demand packages, as well as variable usage charges, e.g. for the individual provision of videos or foreign and mobile phone connections as part of our internet and mobile telephony offers.

Revenue is recognized according to service provision, which generally corresponds to the receipt of monthly fees paid by customers (usage charges and basic fees). Revenue from the sale of hardware is recognized on transfer of risk. Payment is mainly by direct debit.

- *Web hosting solutions*
In the field of web hosting for discerning private customers and small to medium-sized companies, revenue is mainly recognized from the hosting of websites. This primarily involves fixed monthly revenue from the administration and storage of customer content on shared or dedicated servers, or e-shops, revenue from the brokerage and administration of domains and charges for professional internet-based communication solutions. In addition to fixed monthly fees for storage and the provision of functionalities, one-off fees are also charged for set-up services or software products (e.g. for website creation).

Web hosting customers generally pay in advance for the services provided by the Company for a fixed time period. Customer pre-payments are carried as deferred revenue. Revenue is recognized pro rata over the period of service provision. Payment is generally made by direct debit.

- *Portal/club business*
Revenues from the portal business of WEB.DE, 1&1, GMX and smartshopping consist mainly of advertising income, e-commerce commissions and revenues for so-called "paid services". These include income from sponsored links during internet searches, SMS and freephone charges,

brokerage commission for DSL connections, and e-commerce commissions. In the field of online advertising, space is offered on the websites of portals. Realized revenues depend on the placing and number of screenings or according to click rates. Paid services consist mainly of fee-based e-mail products, such as the WEB.DE Club or GMX-ProMail, for which revenues are generated from continuous monthly subscription fees.

Revenues are realized according to services rendered. Advance customer payments are carried as deferred income. Paid services are generally paid for by direct debit.

In accordance with SIC 31, revenue from the exchange of advertising services is only recognized if the advertising services exchanged differ in type and value. Revenue is recognized at the market value of the submitted asset or rendered service and adjusted where necessary for additional cash payment. United Internet markets advertising space on its portals to a small extent in exchange for advertising time in other advertising media.

Online Marketing segment

In its Online Marketing segment, the Company offers advertising customers a variety of online marketing and sales solutions in the field of display, affiliate, domain, e-mail, direct and dialogue-based marketing.

- *AdLINK Media*

  AdLINK Media comprises the fields of display marketing, e-mail marketing (via the Composite brand) and online direct and dialogue-based marketing via the brand net:dialogs. AdLINK Media assumes the independent marketing of third-party websites and e-mail databases. Depending on the type of campaign and the advertiser's campaign objectives, revenue is generated on the basis of cost per thousand contacts (CPM) or a cost-per-click basis. In the case of direct and dialogue-based marketing billing is also on a cost-per-lead/sale basis.

  Customers are mostly billed on a monthly basis. Revenue is recognized according to the degree of completion. Amounts invoiced in advance are recognized as advance payments received.

- *Domain Marketing*

  Sedo operates a trading platform for the secondary domain market. In addition, the company offers domain owners the possibility to market unused domains for advertising purposes (domain parking). The company also holds its own portfolio of marketable and salable domains. Sedo generates sales commission from the successful sale of domains via the platform and revenue for services relating to domain value assessments and domain transfers. The sales commissions and services are generally based on a percentage of the sales price achieved, whereas fixed prices are charged for the other services. In the field of domain parking, domains are marketed via cooperation agreements with search engines, mainly using text links, i. e. links on the parked domains to offers of the advertisers. The Company receives performance-based payment on a monthly basis from the cooperation partner on a pay-per-click basis, according to the number of clicks counted by the cooperation partner. The Company also operates a portfolio of its own domains. These are available for sale and marketed in the meantime as part of domain parking.

  The Company recognizes sales commissions as revenue on invoicing. Revenue is thus recognized on completion of the transaction or provision of the service. In the case of domain parking, the monthly payments credited by cooperation partners are recognized as revenue.

- *Affiliate Marketing*

  Affiliate marketing is a performance-based online sales solution by which advertisers or merchants can gain, control and pay their sales partners, in this case website operators, via a joint platform. As part of the affiliate program of the merchant (advertiser), available via the platform, the website operator (affiliate) incorporates the advertiser's message to promote sales of goods and services on his website and generally receives a commission for the successful brokerage of customers or contacts. The aim of the platform is to create an efficient link and communication between advertisers and website operators. The Company is compensated by the merchants for the use of administration and management tools within the affiliate programs, as well as for the calculation of transactions and the monthly payments to website operators. Invoicing is based on the amount to be paid to the affiliate. This can be on a cost-per-click, cost-per-action or cost-per-sale basis, or a mixture of these three.

Invoicing is either in advance or on a monthly basis following completion of performance. Revenue is recognized on completion of performance. Amounts invoiced in advance are recognized less performance completed as advance payments received. In those cases in which performance is not billed monthly, performance completed is calculated and recognized as revenue at the prices agreed with the customer.

Foreign currency translation

The consolidated financial statements are prepared in euro, the Company's functional and presentation currency. Each company within the Group determines its own functional currency. The items in the annual financial statements of the respective company are valued using this functional currency. Foreign currency transactions are initially translated to the functional currency at the prevailing spot rate on the day of transaction. Monetary assets and liabilities in a foreign currency are translated to the functional currency on every balance sheet date using the closing rate. All currency differences are expensed in the income statement. The exception to this rule are currency differences resulting from foreign currency loans, providing they are used to hedge against a net investment in a foreign operation. These are recognized directly in equity until the net investment is sold and only recognized in profit or loss on disposal. Deferred taxes arising from such currency differences are also recognized directly in equity. Non-monetary items valued at historical cost in a foreign currency, are translated at the exchange rate prevailing on the day of the transaction. Non-monetary items stated at fair value in a foreign currency are translated at the exchange rate prevailing at the time fair value was assessed. All goodwill items resulting from the acquisition of a foreign operation and all adjustments to fair value of the carrying values of assets and liabilities resulting from the acquisition of this foreign operation, are carried as assets and liabilities of the foreign operation and translated at the closing rate.

The assets and liabilities of foreign operations are translated into euro at the closing rate. Income and expenditure is translated at the exchange rate prevailing on the date of the transaction (for practical considerations, a weighted average rate is used for translation). The resulting translation differences are recognized separately in equity. The cumulative amount for a foreign operation which is stated in equity is reversed with an effect on the income statement when the foreign operation is sold.

Property, plant and equipment

Property, plant and equipment is carried at cost less cumulative scheduled depreciation. In the case of major maintenance work, costs are recognized in the carrying value as replacement, providing the measurement criteria are met.

Land and buildings are carried at cost less scheduled depreciation for buildings and impairment.

Items of property, plant and equipment are eliminated either on their disposal or when no further economic use is expected from the continued use or sale of the asset. Gains and losses from the disposal of an asset are assessed as the difference between net sales proceeds and the asset's carrying value. They are recognized in the income statement in the period in which the asset is eliminated.

The residual values, useful lives and depreciation methods are reviewed at the end of each fiscal year and adjusted where necessary.

Property, plant and equipment assets are depreciated over their expected economic useful life using the straight-line method. In the case of operational and office equipment, servers used for web hosting are depreciated over a useful life of 3 years. Other servers used by the Company are depreciated over 5 years, due to their comparatively lower usage.

The useful life periods can be found in the following summary:

Property, plant and equipment	Useful life in years
Leasehold improvements	Up to 10 (depending on lease period)
Buildings	10 or 50
Vehicles	5 to 6
Other operational and office equipment	3 to 10
Office furniture and fixtures	5 to 13

Borrowing costs

Borrowing costs are expensed in the period incurred.

Business combinations and goodwill

Business combinations are accounted for using the purchase method. This involves the recognition of all identifiable assets and liabilities of the acquired operation at fair value.

Goodwill arising from a business combination is initially measured at cost, being the excess of the acquisition cost of the operation over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is valued at amortized cost. Goodwill is subjected to an impairment test at least once annually or whenever there is any event or change in circumstances which might indicate impairment.

In order to test whether there is any impairment, goodwill acquired in the course of a business combination must be allocated from the date of acquisition to each of the cash-generating units of the Group which are to profit from the synergy effects of the combination. This does not depend on whether other assets and liabilities of the Group are already allocated to these cash-generating units.

The impairment need is determined on the basis of the recoverable amount of the cash-generating units to which goodwill refers. The recoverable amount of an asset is the higher of fair value of the asset or cash-generating unit less transaction costs and its value-in-use. If the carrying amount of an asset exceeds its recoverable amount, the asset is regarded as impaired and is written down to its recoverable amount.

Intangible assets

Individually acquired intangible assets are carried at cost on initial recognition. The acquisition cost of intangible assets resulting from the business combination corresponds to its fair value at the time of acquisition. In the following periods, intangible assets are valued at cost less cumulative amortization and cumulative impairment charges. With the exception of those development costs which can be capitalized, costs for internally generated intangible assets are expensed in the period incurred.

A difference is made between intangible assets with limited and those with unlimited useful lives.

Intangible assets with limited useful lives are amortized over their economic useful life and tested for possible impairment if there is any indication that the asset may be impaired. The useful lives and amortization methods of intangible assets with limited useful lives are reviewed at least at the end of each fiscal year. Necessary changes to the depreciation method and useful life are treated as changes to assumptions. Amortization of intangible assets with limited useful lives are recognized in the income statement under the expense category corresponding to the function of the intangible asset in the Company.

In the case of intangible assets with unlimited useful lives, an impairment test is performed at least once annually for the individual asset or on the level of the cash-generating unit. Such intangible assets are not amortized in scheduled amounts. The useful life of an intangible asset with an unlimited useful life is reviewed annually to ascertain whether the assumption of an unlimited useful life is still justified. If this is not the case, a prospective change is made from unlimited useful life to limited useful life.

The useful life periods can be found in the following summary:

Intangible assets	Useful life in years
Trademarks	Unlimited
Portals	8
Customer base	5 to 13
Licenses and other rights	3 to 6
Software	3

Investments in associated companies

Investments in associated companies are valued according to the *equity method*. An associated company is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Using the *equity method*, investments in associated companies are carried in the balance sheet at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associated company. Goodwill connected with an associated company is included in the carrying value of the investment and not subjected to scheduled amortization. The income statement includes the Company's portion of the success of the associated company. Changes recognized directly in the equity capital of the associated company are recognized by the Company in proportion to its shareholding and – where applicable – reported in "Changes in shareholders' equity". Profits and losses from transactions between the Company and the associated company are eliminated in proportion to the shareholding in the associated company.

The annual financial statements of the associated company are generally prepared as to the same balance sheet date as those of the parent company. Where necessary, adjustments are made to bring the methods in line with standard group-wide accounting and valuation methods.

Shares in joint ventures

The Company holds investments in two joint venture companies. There is a contractual agreement between the partner companies to jointly manage the business activities of the company. The Group recognizes its investments in the joint ventures using the *equity method*. The annual financial statements of the joint ventures are prepared as to the same balance sheet date as those of the parent company. Where necessary, adjustments are made to bring the methods in line with standard group-wide accounting and valuation methods.

Impairment of non-financial assets

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, or if an annual impairment test is necessary, the recoverable amount of the asset is estimated. The recoverable amount of an asset is the higher of fair value of the asset or cash-generating unit less transaction costs and its value-in-use. The recoverable amount of each asset must be determined, unless an asset does not generate cash flows which are largely independent of other assets or other groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is regarded as impaired and is written down to its recoverable amount. In order to determine the value-in-use, expected future cash flows are discounted to their present value using a pre-tax discount rate which reflects current market expectations regarding the interest effect and the specific risks of the asset. A suitable valuation model is used to determine fair value less sales costs. This is based on valuation multipliers, the share prices of listed subsidiaries or other available indicators for fair value.

Impairment charges of continued operations are recognized according to the expense category corresponding to the function of the impaired asset in the Company.

A review is made of assets, with the exception of goodwill, on each balance sheet date to determine whether there is any indication that a previously recognized impairment loss no longer exists or has decreased in size. In the case of such an indication, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is only reversed if there has been a change in the assumption used to determine the recoverable amount since recognition of the last impairment loss. If this is the case, the asset's carrying value is raised to its recoverable amount. This amount may not exceed the carrying amount, less depreciation, that would have been determined had no impairment loss been recognized for the asset in prior years.

The following additional criteria are to be considered for certain assets:

Goodwill

At each balance sheet date, the Company reviews whether there is any indication that an asset might be impaired. Impairment of goodwill is reviewed at least once a year. A test is also performed if events or circumstances indicate that the value may be diminished. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which goodwill has been allocated. If the recoverable amount of the cash-generating unit is less than the carrying amount of this unit, an impairment loss is expensed. An impairment loss recognized for goodwill may not be reversed in the following reporting periods. The Group performs its annual impairment test for goodwill on the balance sheet date.

Intangible assets

An impairment test of intangible assets with unlimited useful lives is made at least once per year on the balance sheet date. Depending on the individual case, the review is performed for a single asset or on the level of the cash-generating unit.

Associated companies

On application of the equity method, the Company ascertains whether it is necessary to recognize an additional impairment loss for the Company's investments in associated companies. On each balance sheet date, the Company assesses whether there are objective indications for the impairment of an investment in an associated company. If this is the case, the difference between the fair value of the associated company and the acquisition cost is recognized as an impairment loss.

Financial investments and other financial assets

Financial investments and other financial assets as defined by IAS 39 are classified as follows:

- Financial assets held at fair value through profit or loss
- Held-to-maturity financial investments
- Loans and receivables
- Available-for-sale financial investments

The Group's financial assets comprise cash and short-term deposits, trade receivables, receivables from loans and other receivables, listed and non-listed financial instruments and derivative financial instruments.

Financial assets are carried at fair value on initial recognition. In the case of other financial investments than those classified as held at fair value through profit or loss, transaction costs directly attributable to the acquisition of the asset are also considered.

Financial assets are classified according to valuation categories at the moment of initial recognition. Where necessary and permissible, reclassifications are made at the end of each fiscal year.

All standard market purchases and sales of financial assets are recognized on the trading day, i.e. on the day on which the Company entered into the obligation to purchase the asset. Standard market purchases and sales are purchases and sales of financial assets which prescribe the delivery of the assets within a period specified by market regulations or conventions.

Financial assets held at fair value through profit or loss

The category of financial assets held at fair value through profit or loss includes held-for-trading financial assets and financial assets which are classified as financial assets held at fair value through profit or loss on initial recognition. Financial assets are classified as held-for-trading if they were acquired with the intention of selling them in the near future. This category comprises derivative financial instruments arranged by the Company which do not meet the accounting criteria for hedging transactions pursuant to IAS 39. Derivatives, including separately recognized embedded derivatives, are also classified as held-for-trading, with the exception of derivatives designated as a hedging instrument and effective as such.

Financial assets held at fair value through profit or loss are stated in the balance sheet at fair value, whereby profit or losses are recognized in the income statement. The Group has only classified its derivative financial instruments as held at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market. Following initial recognition, loans and receivables are carried at amortized cost using the effective interest method less allowances for impairment. Profits and losses are recognized in the period when the loans and receivables or eliminated or impaired or as part of amortization.

Available-for-sale financial investments

Available-for-sale financial assets are non-derivative financial assets which are classified as being available for sale and which have not been assigned to any of the three categories above. After initial recognition, available-for-sale financial assets are carried at fair value, whereby non-realized profits or losses are recognized directly in equity in the reserve for non-realized profit. On disposal of financial investments, the cumulative profit or loss previously recognized in equity is reclassified to the income statement.

Fair value

The fair value of financial investments traded on organized markets is determined by the quoted market price (buying rate) on the balance sheet date. The fair value of financial investments for which there is no organized market is determined using valuation methods. These valuation methods include the use of recent transactions between competent, willing and independent business partners, a comparison with the fair value of another, generally identical financial instrument, an analysis of discounted cash flows and the use of other valuation methods.

Amortized cost
Held-to-maturity financial investments, as well as loans and receivables, are carried at amortized cost. This is calculated using the effective interest method less allowances for impairment and under consideration of discounts and premiums on purchase and includes all fees which are an integral part of the effective interest rate.

Impairment of financial assets

On each balance sheet date, the Company assesses whether there has been any impairment of a financial asset or group of financial assets.

Financial assets carried at amortized cost
If there is an objective indication that loans and receivables carried at amortized cost are impaired, the loss is calculated as the difference between the asset's carrying value and the present value of the expected future cash flows (with the exception of expected future credit losses not yet occurred), discounted with the original effective interest rate of the financial asset (i.e. the effective interest rate on initial recognition). The asset's carrying value is reduced using an impairment account. The impairment loss is recognized in the income statement.

If the scale of the impairment is reduced in one of the following reporting periods and this reduction can be objectively attributed to an event occurring after recognition of impairment, the allowance is reversed. This write-back is limited in scale to amortized cost at the time of the write-back. The write-back is recognized in the income statement.

In the case of trade receivables, if there are objective indications (e.g. the probability of insolvency or significant financial difficulties of the debtor) that not all due amounts will be received according to the originally agreed invoice terms, a write-down is made using the appropriate allowance account. The write-down amounts are eliminated when they are classified as uncollectible. Allowances are made on the basis of experience values by classifying receivables according to age and on the basis of other information regarding the impairment of customer-specific receivables.

Available-for-sale financial investments
If the value of an available-for-sale financial asset is impaired, an amount recognized in equity amounting to the difference between acquisition cost (less any redemption and amortization) and current fair value, less any previous allowances expensed for this financial asset, is reclassified to the income statement. Write-backs of equity instruments classified as available-for-sale, are not recognized in the income statement.

In order to ascertain impairment requiring recognition, information concerning all adverse changes in the technological, market-related, economic or legal environment is considered. A significant or persistent decrease in the fair value of equity instrument below its acquisition cost is also an objective indication of impairment.

Write-backs of debt instruments classified as available-for-sale, are recognized in the income statement if the increase in the instrument's fair value objectively results from an event which occurred after recognizing an impairment charge.

Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value comprises the estimated sales proceeds less estimated necessary selling costs. Adequate valuation allowances for excess inventories are made to provide for inventory risks.

Write-downs for slow-moving products are used when calculating the net realizable values of domains held for resale. A longer holding period indicates a less attractive/marketable domain. The reduced marketability of a domain is interpreted as a declining sales prospect, which reduces the net recoverable sales revenue as a result of higher costs up to the time of sale in conjunction with lower sales price expectations. The write-downs are first made at the end of the fiscal year following purchase. After a holding period of seven years, the Company regards the probability of sale as almost zero and thus zero is assumed for the sake of simplicity. In addition to such write-downs for slow-moving products, the Company also tests the domain portfolio on each balance sheet date for signs of a sharper fall in the net realizable value than which indicated by the underlying write-downs for slow-moving products.

Treasury shares

Treasury shares are deducted from shareholders' equity. The purchase, sale, issue or retirement of treasury shares is not recognized in the income statement.

Cash and cash equivalents

Cash and cash equivalents consist of bank balances, other investments, checks and cash in hand, which all have a high degree of liquidity and maturities of less than 3 months – calculated from the date of purchase.

Financial liabilities

Loans are recognized initially at the fair value of the performance received less transaction costs involved with borrowing. Following initial recognition, interest-bearing loans are valued using the effective interest method at amortized cost. Profits and losses are recognized when the debts are eliminated and in the course of amortization.

Financial liabilities carried at fair value through profit or loss include held-for-trading financial liabilities and other financial liabilities classified on initial recognition as financial liabilities carried at fair value through profit or loss.

Financial liabilities are classified as held-for-trading if they were acquired with the intention of selling them in the near future. Derivatives, including separately recognized embedded derivatives, are also classified as held-for-trading, with the exception of derivatives designated as a hedging instrument and effective as such. Profit or loss from held-for-trading financial liabilities are recognized in the income statement.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or part of a financial asset or part of a group of similar financial assets) is derecognized when one of the three following conditions are met:

- The contractual rights to receive cash flows from a financial asset have expired.
- The Company reserves the rights to receive cash flows from a financial asset, but assumes a contractual obligation to immediately pay the cash flows to a third party as part of an agreement which fulfills the conditions of IAS 39.19 (*pass-through arrangement*).
- The Company transfers its rights to receive cash flows from a financial asset and either (a) transfers virtually all opportunities and risks connected with owning the financial asset or (b) retains authority to dispose of the asset even though it has neither transferred nor retained virtually all opportunities and risks connected with owning the financial asset.

Financial liabilities

A financial liability is derecognized when the underlying commitment of this liability has been fulfilled or terminated or expired.

If an existing financial liability is replaced by a different financial liability of the same lender with substantially different contractual terms or if the terms of an existing liability are significantly changed, such an exchange or change is treated as derecognition of the original liability and recognition of a new liability. The difference between the respective carrying values is recognized in the income statement.

Provisions

Provisions are formed if the Company has a legal or actual obligation resulting from a past event which will probably give rise to the outflow of resources with an economic benefit to fulfill the obligation, provided that the level of the obligation can be reliably estimated. Such estimates are subject to significant uncertainties. If the Group expects at least partial compensation for a recognized provision, this compensation is only recognized as a separate asset if the reimbursement is virtually certain. The expense to form the provision is only recognized in the income statement after deduction of the reimbursement. If the interest effect from discounting is significant, provisions are discounted at a pre-tax interest rate which reflects the specific risk of the debt, if so required by the individual case. In the event of a discount, the increase in provisions caused by the passage of time is recognized as a financial expense.

Share-based payment

Group employees receive share-based payments as remuneration for their work in the form of equity instruments and the granting of value growth rights, which may be settled in cash or via equity instruments at the Company's discretion.

Equity-settled transactions

The cost of granting equity instruments issued after November 7, 2002 is measured using the fair value of such equity instruments on the date of granting. Fair value is measured using a suitable option price model. With the aid of the respective valuation process, the value component is determined at the time of granting, also for subsequent valuation until the end of the term. On every valuation date, however, the expected exercise volume is to be reassessed with a corresponding adjustment of the additional amount under consideration of additions already made. Any necessary adjustment bookings are to be made in the period in which new information about the exercise volume becomes available.

The measurement of cost from the granting of equity instruments and the corresponding increase in equity occurs over the period in which the vesting or performance conditions have to be satisfied (the so-called vesting period). This period ends after the vesting date, i.e. the date on which the employee concerned has gained irrevocable entitlement. The cumulative expenses recognized on each balance sheet date for equity-settled transactions until the vesting date reflect the extent to which the vesting period has expired and the number of equity instruments which, according to the Group's best-possible estimate, will actually be vested after the vesting period. The income or expense recognized in the income statement represents the development of cumulative expenses recognized at the beginning and end of the reporting period. No expense is recognized for payment rights which are not vested.

Transactions with settlement in cash or via equity instruments at the Company's discretion

In the case of share-based remuneration plans which grant the Company the contractual choice of settling in cash or issuing equity instruments, the Company must determine whether there is a current cash settlement commitment and disclose the stock-based remuneration transaction correspondingly. There is a current cash settlement commitment if the possibility to settle by means of equity instruments has no economic substance (e. g. because the company is legally forbidden to issue shares), or cash settlement was common business practice or the declared company guideline in the past, or the company generally settles in cash if the beneficiary so desires. This transaction is accounted for in accordance with the regulations for equity-settled payment transactions .

The dilutive effect of outstanding equity-settled transactions and those transactions settled in cash or via equity instruments is reflected as an additional share dilution in the calculation of earnings per share.

Earnings per share

"Undiluted" or *basic earnings per share* are calculated by dividing the result attributable to the holders of registered shares by the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated similarly to basic earnings per share with the exception that the average number of shares outstanding increases by the portion which would result if the exercisable conversion rights of convertible bonds issued had been exercised. Net income is also adjusted for interest expenses after taxes, payable on potentially exchanged convertible bonds.

Leases

The determination of whether an arrangement contains a lease is based on the economic substance of the arrangement at the time of signing and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease period. The leased property is carried at fair value or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are charged directly against income.

Capitalized leased assets are fully depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

The Company currently classifies all leasing contracts as operating leases, whereby the Company acts exclusively as lessee.

Financial income

Interest income is recognized as interest accrues (using the effective interest rate, i. e. the rate which discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset). Dividend income is recognized with the inception of the legal right to payment.

Government grants

Government grants are recognized where there is reasonable certainty that the grant will be received and the Company will satisfy all attaching conditions. Where the grants relate to an expense item, they are recognized as income in scheduled amounts over the period necessary to match the grants to the costs they are intended to compensate. Grants relating to an asset item reduce the carrying value of that item.

Taxes

Actual claims to income tax refunds and income tax due

Actual claims to tax refunds and tax due for the current period and for previous periods are valued at the amount at which a refund from the tax authorities or a payment to the tax authorities is expected. The amount is calculated on the basis of the tax rates and tax laws applicable on the reporting date.

Actual taxes relating to items directly recognized in equity are not recorded in the income statement, but in shareholders' equity.

Deferred taxes

The liability method is used to create deferred taxes on all temporary differences existing on the reporting date between the carrying value of an asset or a liability in the balance sheet and the fiscal carrying value.

Deferred taxes are recognized for all taxable temporary differences, except:

- where the deferred tax liability from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in respect of taxable temporary differences associated with investments in subsidiaries, associated companies and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in respect of taxable temporary differences associated with investments in subsidiaries, associated companies and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted as of the balance sheet date. Future changes in tax rates are to be considered on the balance sheet date, providing material effectiveness conditions are met as part of the legislative process.

Deferred tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable, and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included under “Other current assets” or “Other liabilities” in the consolidated balance sheet.

Derivative financial instruments and hedging relationships

The Group uses derivative financial instruments in the form of interest swaps, in order to hedge against interest risks. Derivative financial instruments are recognized at fair value on the date of the agreement and carried at fair value in the subsequent periods. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative.

Profit or loss resulting from changes in the fair value of derivative financial instruments which do not meet the criteria for recognition as hedging relationships are recognized immediately in the income statement.

The fair value of derivative financial instruments is measured using accepted valuation methods.

3 Investments and business combinations

Effective January 1, 2008, Sedo GmbH acquired a shareholding of 40% in DomainsBot S.r.l., Rome / Italy. A call option was also agreed for the purchase of a further 20% of shares no sooner than 2010. The acquisition costs amounted to a total of € 839k and comprised directly assignable costs of € 89k.

In a contract dated February 8, 2008, United Internet Beteiligungen GmbH acquired a shareholding of 48.65% in Virtual Minds AG, Freiburg im Breisgau. The acquisition was made in part in the course of a capital increase. The acquisition costs amounted to a total of € 9,131k and comprised directly assignable costs of € 132k.

In a contract dated March 5, 2008, United Internet Beteiligungen GmbH acquired 80% of shares in the newly founded European Founders Fund GmbH & Co. Beteiligungs KG No. 3. The company will be included in the Group’s annual financial statements as a fully consolidated subsidiary. In fiscal year 2008, European Founders Fund GmbH & Co. Beteiligungs KG Nr. 3 in turn acquired interests in a number of companies. The acquisition costs for investments in these portfolio companies amounted to € 50,071k.

On March 7, 2008, United Internet Beteiligungen GmbH acquired 33.36% of shares in BW2 Group AG, Lachen / Switzerland, in the course of a capital increase. The acquisition costs amounted to € 5,826k.

ProSiebenSat.1 Media AG and 1&1 Internet AG placed their cooperation on a new basis by founding the jointly controlled joint venture maxdome GmbH & Co. KG, Unterföhring. The respective contracts were signed on February 22, 2008. The transaction was approved by the respective anti-trust authorities on April 29, 2008. The cooperation with ProSiebenSat.1 Media AG has been carried so far as a joint activity as defined by IAS 31.

In a contract dated May 30, 2008, Fasthosts Ltd. acquired a 100% interest in Dollamore Ltd., Melbourne / UK. The acquisition of the shares in Dollamore Ltd. was accounted for using the purchase method. The purchase price was settled in cash; the preliminary acquisition costs amount to € 10,477k and comprise directly assignable costs of € 274k. The preliminary fair values of identifiable assets and liabilities as of the date of acquisition are as follows:

	€k
Purchase price	10,203
Ancillary acquisition costs	274
Preliminary acquisition costs	**10,477**

	Fair values €k	Carrying values €k
Brand	820	0
Customer base	2,662	0
Property, plant and equipment	23	23
Cash and cash equivalents	154	154
Other assets	839	839
Customer receivables	426	426
Prepaid expenses	623	623
Deferred tax liabilities	-975	0
Deferred revenue	-2,564	-2,564
Trade payables	-328	-328
Other liabilities	-292	-292
Accrued taxes	-213	-213
	1,175	**-1,332**
Goodwill	9,302	
Preliminary acquisition costs	**10,477**	

Goodwill of € 9,302k results from expected synergies from the company acquisition.

Cash disbursements resulting from the company acquisition are as follows:

	€k
Cash disbursements	10,477
Assumed cash and cash equivalents	154
Actual cash disbursements	**10,323**

The profit of Dollamore since the time of acquisition recognized in the annual result amounted to € 227k in fiscal year 2008.

Under the assumption that the company acquisition had already been made at the beginning of fiscal year 2008, consolidated sales would have increased by € 1,623k and net income by € 632k.

In an agreement dated July 1, 2008, United Internet Beteiligungen GmbH acquired 30% of shares in Jimdo GmbH, Hamburg. The share purchase was effected in part in the course of a capital increase. The acquisition costs amounted to a total of € 985k and also comprised directly assignable costs of € 20k. Initial recognition was made on a provisional basis.

On December 29, 2008 United Internet AG acquired 10,798,817 shares in freenet AG from MSP Holding GmbH, corresponding to 8.43% of voting rights, at a price of € 3.38 per share. The acquisition costs on the basis of fair value as of the acquisition date amounted to € 46,111k. Initial recognition was made on a provisional basis. We refer to Note 42 for further details.

At the end of fiscal year 2007, United Internet AG acquired 50% of shares in MSP Holding GmbH, Maintal. The acquisition cost amounted to € 165,428k and also comprised directly assignable costs of € 26k. The acquisition cost was settled in cash. On January 23, 2008, United Internet AG and Drillisch AG increased their shareholding in freenet AG to 24.52% via the jointly held company MSP Holding GmbH. Following a capital increase of freenet AG in connection with its takeover of Debitel, the shareholding of MSP Holding GmbH in freenet AG was diluted from 24.52% to 18.39% as of July 5, 2008.

At the end of fiscal year 2007, United Internet AG acquired 19.5% of shares in Versatel AG, Berlin. This shareholding was increased during fiscal year 2008 to 25.21%. The acquisition of the additional shares was dependent on the approval of the anti-trust authorities. This approval was granted on December 20, 2007. Total acquisition costs amounted to € 183,639k and also comprised directly assignable costs of € 2,823k.

At the end of fiscal year 2007, United Internet Beteiligungen GmbH acquired 90% of shares in the newly founded European Founders Fund GmbH & Co. Beteiligungs KG No. 2. The company will be included in the Group's annual financial statements as a fully consolidated subsidiary. In fiscal year 2008, European Founders Fund GmbH & Co. Beteiligungs KG Nr. 2 in turn acquired interests in associated companies. The acquisition costs for investments in these portfolio companies amounted to € 24,452k.

In fiscal year 2007, United Internet Beteiligungen GmbH acquired a shareholding of 66.67% in the European Founders Fund GmbH & Co. Beteiligungs KG No. 1. The total acquisition cost amounted to € 34,403k. Due to company law regulations, United Internet Beteiligungen GmbH cannot exert a controlling interest in the company – despite holding a majority of voting rights. Instead, it exerts a material interest and the company is thus consolidated as an associated company pursuant to IAS 28.

In fiscal year 2007, the shareholdings held by AdLINK Internet Media AG in AdLINK Switzerland (50%) and AdLINK Austria (30%) were transferred to Goldbach Media AG Küsnacht-Zürich, Switzerland, as a non-cash contribution. In return, AdLINK Internet Media AG received 89,897 shares in Goldbach Media AG as compensation, corresponding to a shareholding of 19.4%. As a result of Goldbach's IPO and capital increase, this shareholding was diluted to 14.99%. The company transaction resulted in proceeds from initial recognition of € 19,941k. The shares in Goldbach are classified as available-for-sale financial assets and disclosed under the item "Other financial assets".

Up to fiscal year 2005, 80% of shares in InternetX GmbH were acquired. The original shareholders were interested in successively selling further shares in InterNetX GmbH to United Internet Beteiligungen GmbH up to 2015. In fiscal year 2007, therefore, the shareholding in InterNetX GmbH was raised from 80% to 85.09%. The purchase price for this additional stake amounted to € 627k. A further 10.46% of shares were sold to United Internet Beteiligungen GmbH in fiscal year 2008. The purchase price of these additional shares amounted €1,833k. The purchase of shares in InterNetX to date and from the forward purchase agreements has resulted in goodwill of € 5,032k.

In an agreement dated July 10, 2007, United Internet Beteiligungen GmbH increased its shareholding in fun communications GmbH from 33.33% to 49.%. The acquisition cost was settled in cash and amounted to € 593k.

In a contract dated December 22, 2006, United Internet Beteiligungen GmbH acquired a 12.51% shareholding in e-sport GmbH (now: Bigpoint GmbH), Hamburg. The acquisition of shares occurred as part of a capital increase of the company in February 2007 and was conditional on approval of the anti-trust authorities. Despite holding 12.51% of shares, United Internet Beteiligungen GmbH was assigned 25.02% of voting rights. As a result, the company was included in the consolidated financial statements as an associated company. The anti-trust authorities approved the share acquisition on February 5, 2007. The acquisition cost amounted to € 6,296k and also comprised directly assignable costs of € 46k. The acquisition cost was settled in cash. These shares were sold with effect from August 26, 2008.

In May 2006, 1&1 UK Holdings Ltd., Slough / UK, acquired 100% of shares in Fasthosts Internet Ltd., Gloucester / UK. The preliminary acquisition cost of the business combination amounted to € 96,866k and also comprised directly assignable costs of € 1,214k, settled in cash. Due to a contractually agreed purchase price reduction, which also depended on the company's earnings in fiscal year 2006, the purchase price was reduced by € 3,436k in fiscal year 2007. The reduction was assigned in full to goodwill.

In fiscal year 2005 AdLINK Internet Media AG acquired the shares held by United Internet AG in Sedo GmbH. In addition, AdLINK Internet Media AG bought further shares from a Management Board member of Sedo GmbH. In November 2006, AdLINK Internet Media GmbH Deutschland purchased a further 23.80% of shares in Sedo GmbH. At the same time, AdLINK Internet Media AG transferred the shares it already held as a non-cash contribution to AdLINK Internet Media GmbH Deutschland, so that as of December 31, 2006, 75.94% of shares in Sedo GmbH were held. The acquisition costs of the additional shares amounted to € 34,606k and comprised costs directly allocated to the acquisition amounting to € 100k. The acquisition cost was settled in cash. Goodwill from this acquisition amounted to € 30,949k. In the course of the increase in shares held in Sedo GmbH, a profit transfer agreement was concluded between AdLINK Internet Media GmbH Deutschland and Sedo GmbH, effective from January 1, 2007. On the basis of this profit transfer agreement, Sedo GmbH transfers its complete result to AdLINK Internet Media GmbH Deutschland. As compensation for the minority shareholders, the contract allows for a dividend payment of € 250k per fiscal year. The contract cannot be terminated before December 31, 2011. As part of the purchase of additional shares, the minority shareholders were granted a conditional put option, which can be exercised in the period from January 1, 2009 to December 31, 2015, whereby the option can only be exercised jointly in 2009 and 2010 by all minority shareholders. The option is conditional in as far as AdLINK has the right to oppose the exercising of the put option. The purchase prices depend mainly on the company's profit development.

Explanations to the Income Statement

4 Sales revenue / Segment reporting

Segment reporting includes the primary and secondary reporting formats in accordance with IAS 14. The Company has chosen the organizational structure aligned to products/customers as its primary reporting format. It relates to the Product segment, Outsourcing segment, Online Marketing segment and Head Office/ Investments segment. Sales revenue includes revenue from exchange transactions amounting to € 2,290k (prior year: € 0)

The secondary reporting format differentiates between domestic and foreign business.

Transactions between segments are charged at market prices.

Segment reporting of United Internet AG in fiscal year 2008 was as shown on page 60.

Segment reporting of United Internet AG in fiscal year 2007 was as shown on page 61.

5 Cost of sales

	2008 €k	2007 €k
Cost of services	806,076	726,953
Cost of goods	107,802	93,850
Personnel expenditure	52,086	42,099
Depreciation	25,055	28,531
Others	15,932	4,568
Total	**1,006,951**	**896,001**

Cost of sales increased in relation to sales revenue from 60.2% to 61.0%, compared with the previous year. This resulted in a deterioration of gross margin from 39.8% to 39.0%. The main reason was strong growth in new customers for DSL, the migration of existing customers to complete packages and lower margins in Online Marketing.

Amortization of intangible assets resulting from company acquisitions is disclosed separately in the income statement and not contained in cost of sales. Please refer to Note 9.

6 Selling expenses

Due to high costs incurred for new customer acquisition and costs in connection with customer retention, selling expenses grew from € 248,234k to € 278,564k. However, their ratio to sales grew only slightly to 16.9% (prior year: 16.7%).

Amortization of intangible assets resulting from company acquisitions is disclosed separately in the income statement and not contained in selling expenses. Please refer to Note 9.

7 General and administrative expenses

General and administrative expenses rose more slowly than sales, from € 82,470k (5.5%) to € 83,652k (5.1%).

Amortization of intangible assets resulting from company acquisitions is disclosed separately in the income statement and not contained in general and administrative expenses. Please refer to Note 9.

8 Other operating income / expenses

Other operating income in fiscal year 2008 result mainly from the subsequent valuation of derivative financial instruments in connection with the acquisition or acceptance of shares in listed companies (€ 12,274k), as well as from the sale of shares in Bigpoint (€ 3,840k). Other operating income in fiscal year 2007 was mainly influenced by the contribution of shares as part of the acquisition of a shareholding in Goldbach (€ 16,808k) and the sale of shares in NTplus (€ 4,591k).

Losses due to account receivables of 1&1 amounted to € 21,465k (prior year: € 12,212k), while income from dunning and return debit charges totaled € 11,270k (prior year: € 9,933k).

Due to the negative fair value of a derivative financial instrument, other operating expenses of € 6,425k (prior year: € 2,663k) were recognized.

In the previous year, an indemnity obligation to a joint venture company resulted in other operating expenses of € 10,000k.

Currency gains (net) in fiscal year 2008 amounted to € 777k, while currency losses (net) in the previous year amounted to € 371k.

Expenses relating to other accounting periods totaled € 1,830k (prior year: € 2,112k).

9 Depreciation and amortization

Depreciation and amortization of intangible assets and property, plant and equipment consist of the following:

	2008 €k	2007 €k
Cost of sales	25,055	28,531
Selling expenses	1,915	2,496
General and administrative expenses	4,706	9,070
Total	**31,676**	**40,097**

Amortization of capitalized intangible assets resulting from business combinations includes the following items:

	2008 €k	2007 €k
Portal	9,030	9,030
Customer base	7,350	7,280
Software	3,311	4,010
Licenses	1,132	1,412
Order backlog	460	762
Total	**21,283**	**22,494**

Amortization of capitalized goodwill of € 18,100k (prior year: € 19,004k) resulted from the acquisition of the portal business of WEB.DE AG (today: Kizoo AG), an amount of € 2,247k (prior year: € 2,882k) from the acquisition of Fasthosts, an amount of € 383k (prior year: € 0k) from the acquisition of Dollamore, and € 553k (prior year: € 608k) from the acquisition of CibleClick.

As reliable allocation of amortization of capitalized intangible assets resulting from business combinations to individual functional divisions is not possible, it is disclosed separately in the income statement.

10 Goodwill amortization

In the course of impairment tests, goodwill was amortized by € 9,244k during the period under review. Of this total, goodwill write-downs for affilinet France accounted for € 6,430k, AdLINK Germany for € 1,631k and AdLINK France for € 1,183k.

Due to restructuring at CibleClick France and AdLINK UK, the goodwill of both companies was subjected to a non-scheduled impairment test in fiscal year 2007. In connection with this impairment test, goodwill of CibleClick France was written down by € 7,662k and of AdLINK UK by € 1,711k in the previous year. Further details are provided in Note 30.

11 Personnel expenses

Personnel expenses are divided among the various divisions as follows:

	2008 €k	2007 €k
Cost of sales	52,086	42,099
Selling expenses	83,852	71,569
General and administrative expenses	35,843	32,176
Total	**171,781**	**145,844**

The number of employees increased from 3,954 to 4,565 at year-end 2008, representing growth of 15.5%:

	2008 €k	2007 €k
Germany	3,618	3,127
Outside Germany	947	827
Total	**4,565**	**3,954**

The average number of employees in fiscal year 2008 amounted to 4,341 (prior year: 3,669), of which 3,418 (prior year: 2,884) were employed in Germany and 923 (prior year: 785) abroad.

12 Financial expenses

	2008 €k	2007 €k
Loans and overdraft facilities	26,783	6,437
Expense from interest hedging transactions	6,671	–
Guaranteed dividend to minority interests	44	54
Expense for loans from an associated company	–	183
Total financial expenses	**33,498**	**6,674**

The expense from interest hedging transactions concerns the valuation of interest swaps conducted in fiscal year 2008 at market value. The expense from the guaranteed dividend refers to the accrued interest expense for a liability due to minority shareholders.

13 Financial income

	2008 €k	2007 €k
Interest income from credit balances with banks	1,095	1,419
Income from financial investments	1,768	623
Income from purchase price installments from the sale of shares in an associated company	517	–
Income from loans to a joint venture	548	7
Total financial income	**3,928**	**2,049**

14 Amortization of investments

Amortization of investments amounted to € 42,379k (prior year: € 0). Please see Note 26 for further details.

15 Result from associated companies

	2008 €k	2007 €k
Result from associated companies	–234,193	2,284
Total	**–234,193**	**2,284**

Further details on the result from associated companies are provided in Note 25.

16 Income taxes

The income tax expense from continued operations is comprised as follows:

	2008 €k	2007 €k
Current income taxes		
– Germany	64,926	71,550
– Abroad	10,765	8,390
Total (current period)	75,691	79,940
Deferred taxes		
- Due to tax loss carryforwards	3,385	852
- Tax effect on temporary differences	–6,938	515
- Due to tax rate changes	–252	–2,188
Total deferred taxes	–3,805	–821
Total tax expense	**71,886**	**79,119**

Under German tax law, income taxes comprise corporate income tax and trade tax, as well as the solidarity surcharge.

German trade tax on income is levied on a company's taxable income adjusted for certain revenues which are not subject to such tax and for certain expenses which are not deductible for purposes of trade tax on income. The effective trade tax rate depends on the municipality in which the company operates. As part of the German Corporate Tax Reform 2008, passed by the German government in 2007, trade tax is no longer deductible as an operating expense. As compensation, the trade tax base rate was reduced from 5% at present to 3.5%. As a result, the average trade tax rate in fiscal year 2008 amounted to approx. 13.8% (prior year: 16.2%).

German corporate income tax was levied at 25% for the tax assessment year 2007 – irrespective of whether the result was retained or distributed. In addition, a solidarity surcharge of 5.5% is imposed on the assessed corporate income tax. With the introduction of the Corporate Tax Reform 2008, the corporate income tax rate was decreased from 25% to 15%.

Deferred tax assets are recognized for tax loss carryforwards and temporary differences, if it is probable that taxable profit will be available against which the deductible temporary difference can be utilized,

Deferred tax assets for tax loss carryforwards in certain countries are shown in the table below:

	2008 €k	2007 €k
USA	1,425	2,848
Germany	1,068	2,120
Italy	219	110
France	0	1,019
	2,712	**6,097**

Tax loss carryforwards and temporary differences for which no deferred tax assets have been formed, refer to the following countries:

	2008 €k	2007 €k
France	13,345	9,109
UK	4,750	3,521
Spain	4,659	1,855
Germany	3,836	3,836
Switzerland	1,305	956
	27,895	**19,277**

In accordance with IAS 12, deferred tax assets are recognized for the future benefits associated with tax loss carryforwards. The time limit for the net loss carryforwards in different countries is as follows:

- Belgium: indefinite
- Spain: 15 years
- United Kingdom: indefinite
- France: indefinite
- Sweden: indefinite
- Italy: 5 years
- Switzerland: 7 years
- USA: 20 years
- Germany: indefinite, but minimum taxation

In Germany, the loss carryforwards can be claimed for an indefinite period. As in the previous year, these relate to loss carryforwards as of December 31, 2008 of AdLINK Internet Media AG and AdLINK Internet Media GmbH Deutschland.

Deferred taxes resulted from the following items:

	2008		2007	
	Deferred tax assets €k	Deferred tax liabilities €k	Deferred tax assets €k	Deferred tax liabilities €k
Trade receivables	234	0	356	0
Other financial assets - current	4,141	0	0	0
Other financial assets – non-current	1,360	125	46	133
Property, plant and equipment	0	66	0	0
Intangible assets	193	15,248	0	16,206
Other liabilities	953	0	900	0
Gross value	6,881	15,439	1,302	16,339
Tax loss carryforwards	2,712	0	6,097	0
Adjustments for consolidation	0	1,809	10	1,757
Other items	39	103	28	965
Consolidated balance sheet	**9,632**	**17,351**	**7,437**	**19,061**

Deferred tax liabilities of € 15,248k (prior year: € 16,206k) result mainly from the different treatment of capitalized intangible assets from business combinations in the consolidated accounts and the tax balance sheet.

Deferred tax liabilities include deferred taxes without an effect on profit and loss amounting to € 150k (prior year: € 133k).

The aggregate tax rate is reconciled to the effective tax rate of continued operations as follows:

	2008 %	2007 %
Anticipated tax rate	29.6	38.5
- Goodwill amortization non-deductible for tax purposes	–5.5	1.5
- Amortization of investments non-deductible for tax purposes	–25.3	0.0
- Tax-reduced profit from disposals	2.7	–2.9
- Differences in foreign tax rates	1.6	–0.7
- Employee stock ownership plan	–1.3	–0.2
- Tax losses of the fiscal year, for which no deferred taxes have been capitalized	–4.1	1.1
- First-time capitalization of tax losses not used in prior years	0.0	–1.9
- Utilization of non-capitalized tax loss carryforwards	0.0	–0.7
- Non-taxable at-equity results	–139.5	–0.4
- Change in tax rates	0.5	–0.9
- Allowance for tax loss carryforwards capitalized in previous years	–2.0	0.1
- Allowance for deferred tax assets on temporary differences	–0.5	0.0
- Balance of other tax-free income and non-deductible expenses	–1.2	0.2
Effective tax rate	**–145.0**	**33.7**

The expected tax rate corresponds to the tax rate of the parent company, United Internet AG.

17 Result from discontinued operations

In a contract dated January 19, 2007, United Internet AG, Montabaur, reached an agreement with Teleperformance SA, Paris, concerning the sale to Teleperformance of the United Internet Group member twenty4help Knowledge Service AG, Montabaur. Teleperformance paid the full purchase price in cash. The business combination was approved by the respective antitrust authorities on February 22, 2007. The economic transfer of the shares was completed on March 13, 2007. The purchase price amounted to € 79,619k (after transaction costs).

The result from discontinued operations after tax of € 68,098k comprised the current period result (in fiscal year 2007 until the time of disposal) of € 2,352k and income from the sale of € 65,746k.

As of the balance sheet date, there were commitments from discontinued operations of € 2,153k due to transaction costs, which were disclosed under “Other liabilities”.

18 Earnings per share

As of December 31, 2008, capital stock was divided up into 251, 469,184 registered no-par shares each with a theoretical share in the capital stock of € 1. On December 31, 2008, the Company held 22,000,000 treasury shares (prior year: 18,000,000). These treasury shares do not entitle the Company to any rights or proportional dividends and are thus deducted from equity. The weighted average number of shares outstanding used for calculating undiluted earnings per share was 229,790,031 for fiscal year 2008 (prior year: 235,759,855).

A dilutive effect must be taken into consideration for conversion rights resulting from the employee stock ownership program of United Internet AG which were contained in cash as of December 31, 2008. All conversion rights existing on December 31, 2008 were considered in the calculation of diluted earnings per share, using the *treasury stock method*, insofar as the conversion rights were in money and irrespective of whether the conversion rights were actually exercisable on the balance sheet date. The calculation of the dilutive effect from conversion is made by first determining the total of potential shares. On the basis of the average fair value, the number of shares is then calculated which could be acquired from the total amount of payments (par value of the convertible bond plus additional payment). If the difference between the two values is zero, the total payment is exactly equivalent to the fair value of the potential shares and no dilutive effect need be considered. If the difference is positive, it is assumed that these shares will be issued without consideration.

The calculation of diluted earnings per share was based on 158,804 (prior year: 2,196,756) potential shares (from the assumed use of conversion rights). Based on an average market price of € 10.95 (prior year: € 14.47), this would result in the issuance of 95,678 (prior year: 869,914) shares without consideration. Due to the negative result attributable to shareholders of United Internet AG for fiscal year 2008, there is no dilutive effect from potential shares. The number of shares for the diluted earnings per share calculation corresponds to that for the undiluted earnings per share calculation. The weighted average number of shares used to calculate diluted earnings per share in the previous year was 236,629,769.

The following table shows the underlying amounts for the calculation of undiluted and diluted earnings:

	2008 €k	2007 €k
Profit attributable to the shareholders of United Internet AG	**-120,183**	**220,218**
Earnings per share (in €)		
– undiluted	-0.52	0.93
– diluted	-0.52	0.93
Thereof result from continued operations	**-120,183**	**152,120**
Earnings per share (in €)		
– undiluted	-0.52	0.64
– diluted	-0.52	0.64
Thereof result from discontinued operations	**-**	**68,098**
Earnings per share (in €)		
– undiluted	-	0.29
– diluted	-	0.29
Weighted average number of outstanding shares (in million units)		
– undiluted	229.79	235.76
– diluted	229.79	236.63

The calculation of undiluted and diluted earnings per share for discontinued operations was based on the weighted average number of shares, as described above.

19 Dividend per share

A dividend of € 0.20 per share was paid for the fiscal year 2007. This represented a total dividend payment in the period under review of € 42,886k. Treasury shares reduce equity and have no dividend entitlement. No dividend will be paid for fiscal year 2008.

Explanations to the Balance Sheet

20 Cash and cash equivalents

Cash and cash equivalents consist of bank balances, short-term investments, checks and cash in hand. Bank balances bear variable interest rates for call money. Short-term investments are made for various periods, depending on the Group's respective cash needs, of between one day and three months.

The development and application of cash and cash equivalents is stated in the consolidated cash flow statement.

21 Trade accounts receivable

	2008 €k	2007 €k
Trade accounts receivable	135,705	133,677
Less		
Bad debt allowances	–16,639	–9,889
Trade accounts receivable, net	**119,066**	**123,788**

As of December 31, 2008 trade accounts receivable amounting to € 16.639k (prior year: € 9,889k) were impaired. The development of the bad debt allowances can be seen below:

	2008 €k	2007 €k
As of January 1	9,889	8,223
Additions charged to the income statement	15,815	7,765
Utilization	–6,609	–4,057
Reversals	–2,221	–1,720
Exchange rate differences	–235	–297
Disposal from deconsolidation	0	–25
As of December 31	**16,639**	**9,889**

Additions charged to the income statement of each period under review do not comprise receivables arising during the year and eliminated before the balance sheet date. As of the balance sheet date there is no recognizable indication that payment obligations for receivables not adjusted cannot be met.

The maximum credit risk as of the balance sheet date corresponds to the net carrying value of the above trade accounts receivable.

Trade accounts receivable are always stated at nominal value. Overdue receivables are tested for possible impairment. Individual allowances are mainly formed by classifying receivables according to their age profile. We refer to Note 43.

All overdue receivables not adjusted individually are subjected to lump-sum allowances.

As of December 31, the age profile of trade accounts receivable less the aforementioned allowances was as follows:

	2008 €k	2007 €k
Trade accounts receivable, net		
< 30 days	104,599	111,468
30 - 60 days	5,641	4,067
60 - 90 days	3,673	6,759
90 - 120 days	1,674	1,045
> 120 days	3,479	449
Trade accounts receivable, net	**119,066**	**123,788**

22 Inventories

Inventories consist of the following items:

	2008 €k	2007 €k
Merchandise		
- DSL hardware	6,999	7,975
- Mobile internet hardware	6,194	4,611
- Mobile telephony hardware	2,703	1,503
- Web hosting hardware	860	990
- Video-on-demand hardware	828	2,162
- Other	318	566
Domain stock held for sale		
- Domain stock	5,370	3,624
	23,272	21,431
Less		
Allowances	–4,224	–4,646
Inventories, net	**19,048**	**16,785**

The impairment of inventories expensed in the period under review amounted to € 1,581k (prior year: € 3,352k). This charge is disclosed in "Cost of sales". Allowances of € 4,224k (prior year: € 4,646k) were made for inventories with a net carrying value of € 6,735k (prior year: € 2,177k).

23 Prepaid expenses

Prepaid expenses of € 28,791k (prior year: € 23,020k) consist mainly of prepayments for domain fees, which were deferred and charged to the income statement on the basis of the underlying contractual period of customers in the Product segment.

24 Other current assets

	2008 €k	2007 €k
Accounts receivables from the tax office	3,722	2,880
Outstanding purchase price installment	3,621	3,621
Payments on account	1,244	4,282
Premium claims	586	2,883
Other	3,564	2,705
Other assets, net	**12,737**	**16,371**

Accounts receivables from the tax office result mainly from credit balances from sales tax.

The outstanding purchase price installment refers to a payment due at the end of 2009 from the sale of shares in NT plus AG, to be settled fully in cash.

Payments on account consist mainly of down payments for domains.

The premium claims represent claims from a cooperation agreement with Deutsche Telekom AG and Vodafone AG. They relate to performance-based payments for the acquisition of new customers for the cooperation partner.

25 Shares in associated companies / joint ventures

	2008 €k	2007 €k
Carrying amount at the beginning of the fiscal year	309,023	11,006
Additions	170,307	309,299
Adjustments		
- Dividends	–392	–950
- Shares in result	–169,338	2,284
- Impairment losses	–64,855	0
- Other	1,729	0
Disposals	–24,790	–12,616
	221,684	**309,023**

The addition to shares in associated companies results mainly from the acquisition of further shares in Versatel (€ 57,257k), from the acquisition of shares in freenet (€ 46,111k) and from the investment in EFF No. 1 (€ 24,367k). Further additions of € 24,452k result from the purchase of shares in associated companies purchased by EFF No. 2 and the acquisition of shares in Virtual Minds (€ 9,131k) and BW2 (€ 5,826k).

The result from associated companies amounting to € -169,338k was mainly caused by prorated impairment losses on shares in freenet held by MSP Holding GmbH (€ -158,886k). These write-downs were made as a result of a sharp decline in share prices in fiscal year 2008.

Other adjustments totaling € 1,729k result from profit contributions to associated companies with an investment value of € 0 (€ 1,613k) and profit contributions recognized directly in equity of associated companies (€ 116k). The negative profit contributions of associated companies with an investment value of € 0 are only considered if the associated companies were provided with long-term loans or if there are credit / liability commitments.

The following table provides an overview of direct impairment losses in fiscal year 2008:

	2008 €k	2007 €k
Versatel	50,194	–
EFF Nr. 2	7,169	–
BW2	4,389	–
Other	3,103	–
	64,855	**0**

The impairment loss of Versatel results from a sharp decline in its share price during fiscal year 2008.

Impairment losses of € 7,169k refer to shares in associated companies held by EFF No. 2.

The disposal results from capital repayments of the investment EFF No. 1 (€ 20,037k) and from the sale of shares in Bigpoint (€ 4,753k).

Due to the contractually agreed unanimity of voting on all shareholder resolutions, the Group cannot exert a controlling influence on EFF No. 1 companies, but only a significant influence. In contrast to its share in capital of 66.67%, the Group's participation in annual net profit of EFF No. 1 is between 33.33% and 66.67%, depending on the fund's internal rate of return.

The Company itself holds 8.43% of shares in freenet AG. Due to a contractual voting commitment, the Company believes it exerts a significant influence on the business policy of freenet AG.

The following table contains summarized financial information on the Company's investment in MSP Holding GmbH:

	2008 €k	2007 €k
Current assets	311	21,792
Non-current assets	55,468	317,176
Current liabilities	19,715	8,248
Non-current liabilities	0	0
Shareholders' equity	36,064	330,720
Sales revenue	0	0
Net profit	–294,657	–80

The change in the consolidated balance sheet and the consolidated income statement of MSP Holding GmbH compared with the previous year is largely due to the impairment loss on shares in freenet AG.

The following table contains summarized financial information on the Company's investment in Versatel AG:

	2008 €k	2007 €k
Current assets	179,123	225,022
Non-current assets	966,949	964,946
Current liabilities	182,576	205,859
Non-current liabilities	634,897	623,696
Shareholders' equity	328,599	360,413
Sales revenue	576,718	700,646
Net profit	–32,245	–89,005

The financial information for 2008 of Versatel AG is based on published figures as of September 30, 2008.

Based on the stock exchange price as of the balance sheet date, the shares held by United Internet AG in Versatel AG have a fair value of € 116,355k.

The following table contains summarized financial information on the Company's investment in freenet AG:

	2008 €k	2007 €k
Current assets	896,496	369,315
Non-current assets	2,383,529	533,285
Current liabilities	967,511	491,182
Non-current liabilities	1,400,421	39,333
Shareholders' equity	912,093	372,085
Sales revenue	1,800,738	1,863,284
Net profit	160,595	16,530

The financial information for 2008 of freenet AG is based on published figures as of September 30, 2008. The financial information for 2007 is based on publis-hed figures of freenet AG for the fiscal year 2007.

Based on the stock exchange price as of the balance sheet date, the shares held by United Internet AG in freenet AG have a fair value of € 44,815k.

The following table contains summarized financial information on the Company's investment in other associated companies and joint ventures as of the balance sheet date:

	2008 €k	2007 €k
Current assets	19,802	17,044
Non-current assets	31,491	19,984
Current liabilities	12,906	5,000
Non-current liabilities	800	15,002
Shareholders' equity	37,586	17,027
Sales revenue	27,186	13,471
Net profit	–11,740	5,751

The summarized financial information on associated companies is based on the 100% figures of these companies.

26 Other financial assets

The development of these shares was as ist shown in the table below.

The newly founded, fully consolidated investment fund EFF No. 3 made investments of € 50,071k in a total of 24 companies (portfolio companies) in fiscal year 2008. As the fund holds less than 20% of voting shares, these investments are classified as available-for-sale financial assets pursuant to IAS 39.

Against the backdrop of a sharp decline in share prices in fiscal year 2008, the listed shares in Goldbach and Drillisch were written down due to impairment, as were other investments (portfolio companies) of EFF No. 3.

			Amortization of revaluation reserve not recognized in income					
	01.01.2008 €k	Additions €k	Recycling €k	Addition €k	Impairment loss €k	Reclassification €k	Disposal €k	31.12.2008 €k
Goldbach shares	28,794		–8,853		–7,894			12,047
Drillisch shares	28,325		3,090		–22,506			8,909
Afilias shares	5,353			2,373				7,726
Portfolio companies of EFF No. 3	0	50,071		3,371	–11,626			41,816
Purchase price installment NTplus	3,621					–3,621		0
Others	1,774	866			–353			2,287
	67,867	**50,937**	**–5,763**	**5,744**	**–42,379**	**–3,621**	**0**	**72,785**

			Amortization of revaluation reserve not recognized in income					
	01.01.2007 €k	Additions €k	Recycling €k	Addition €k	Impairment loss €k	Reclassification €k	Disposal €k	31.12.2007 €k
Goldbach shares	0	19,941		8,853				28,794
Drillisch shares	0	31,415		–3,090				28,325
Afilias shares	1,842			3,511				5,353
Purchase price installment NTplus	0	3,621						3,621
Others	1,853						–79	1,774
	3,695	**54,977**	**0**	**9,274**	**0**	**0**	**–79**	**67,867**

The purchase price installment NTplus, results from the 2nd purchase price installment in connection with the sale of shares in NT plus AG in fiscal year 2007, which is to be fully settled in cash by the end of 2009. In the previous year, this item was disclosed under "Non-current assets".

Other financial assets are mainly other deposits and loans for whom market value coincided with carrying value.

27 Property, plant and equipment

	2008 €k	2007 €k
Acquisition costs		
- Land and buildings	8,047	6,986
- Furniture and fixtures	196,645	156,905
- Payments on account	3,464	10,227
	208,156	174,118
Less		
Accumulated depreciation	–121,662	–97,013
Property, plant and equipment, net	**86,494**	**77,105**

An alternative presentation of the development of property, plant and equipment in the fiscal years 2007 and 2008 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

28 Intangible assets (without goodwill)

	2008 €k	2007 €k
Acquisition costs		
- Licenses	28,337	27,462
- Order backlog	2,141	2,141
- Software	37,695	34,367
- Trademarks	21,423	21,904
- Customer base	42,927	45,525
- Portal	72,240	72,240
	204,763	203,639
Less		
Accumulated amortization and impairment	–107,251	–83,608
Intangible assets, net	**97,512**	**120,031**

An alternative presentation of the development of intangible assets in the fiscal years 2007 and 2008 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

Intangible assets with unlimited useful lives (trademarks), are mostly allocated to the Product segment. The carrying values amount to € 21,379k. Intangible assets with unlimited useful lives were subjected to an impairment test on the balance sheet date. An impairment loss of € 44k (prior year: € 0) was recognized in the Online Marketing segment. The further decline resulted from currency translation effects.

In the previous year, an impairment test was conducted on software in the Product segment which resulted in an impairment loss of € 3,536k.

29 Goodwill

	2008 €k		2007 €k	
	gross	net	gross	net
Product segment	289,570	289,570	297,670	297,670
Online Marketing segment	109,602	89,306	102,204	91,152
	399,172	**378,876**	**399,874**	**388,822**

An alternative presentation of the development of goodwill in the fiscal years 2007 and 2008 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

Total goodwill fell on balance by € 9,946k to € 378,876k. The increase in goodwill of € 9,302k results from the acquisition of Dollamore and the purchase of further shares in AdLINK (€ 7,399k). Currency translation effects in the Product segment resulted in a decline in goodwill of € 17,403k. A further negative effect resulted from non-scheduled amortization of goodwill for AdLINK of € 9,244k. We refer in this connection to the following section.

30 Impairment of goodwill and intangible assets with unlimited useful lives

The goodwill and intangible assets with unlimited useful lives are subjected to an impairment test at least once per year. With reference to its internal budgeting process, the Company has chosen the last quarter of its fiscal year to conduct its statutory annual impairment test.

The scheduled annual impairment test conducted in the 4th quarter of 2008 resulted in amortization of € 9,244k (prior year: € 0). Of this total, goodwill write-downs for affilinet France accounted for € 6,430k, AdLINK Germany for € 1,631k and AdLINK France for € 1,183k and refer exclusively to the Online Marketing segment. The main cause for the write-downs was a deterioration of earnings of the respective cash-generating unit. The impairment loss was disclosed separately in the income statement.

Due to signs of a deterioration in earnings of CibleClick France and AdLINK UK and subsequent restructuring, the goodwill of these cash-generating units was subjected to an impairment test in the previous year. The recoverable amounts of the cash-generating units concerned were measured using cash flow forecasts. The assumptions used were the same as those for the annual impairment test of cash-generating units in the Online Marketing segment, as described below. As a result of this impairment test, goodwill of CibleClick France was written down by € 7,662k and of AdLINK UK by € 1,711k in the previous year. The impairment loss was disclosed separately in the income statement.

Goodwill acquired in the course of business combinations is allocated for impairment test purposes to cash-generating units, which are distributed among the Company's segments as follows:

Cash-generating units in the Product segment

The Product segment consists of the following three cash-generating units to which goodwill with carrying values totaling € 289,570k (prior year: € 297,670k) has been allocated:

	2008 €k	2007 €k
WEB.DE	228,493	228,493
Fasthosts / Dollamore	56,045	64,145
InterNetX	5,032	5,032
	289,570	**297,670**

The recoverable amounts of the cash-generating units in the Product segment are calculated on the basis of a value-in-use calculation using cash flow forecasts. The cash flow forecasts are based on the Company's budgets for fiscal 2009. These budgets were prepared by management on the basis of external market studies and internal assumptions, extrapolated for a period of five years. Following this period – and as in the previous year – management assumes an annual increase in cash flow of 1.5% to 2.0%, corresponding to long-term average growth of the sector in which the respective cash-generating unit operates. The discounted pre-tax interest rate used in the period under review for the cash flow forecasts amounts to 11% (prior year: 11% and 13%).

The Product segment also has trademarks with a total carrying value of € 21,314k (prior year: € 21,795k). The stated trademarks refer to the following cash-generating units:

	2008 €k	2007 €k
WEB.DE	17,098	17,098
Fasthosts / Dollamore	4,216	4,697
	21,314	**21,795**

In the course of business combinations, the trademarks were valued at their fair values using the so-called "royalty relief" method and tested again for impairment on the balance sheet date. The trademark-relevant cash flows were multiplied with the trademark-relevant royalty rates. These remained unchanged at between 1% and 2%. The forecast of trademark-relevant cash flows was based on the same assumptions regarding market development and discount rates as used for the calculation of value-in-use of the cash-generating units.

Cash-generating units in the Online Marketing segment

The Online Marketing segment consists of thirteen cash-generating units to which goodwill totaling € 89,306k (prior year: € 91,152k) has been allocated. Goodwill in the Online Marketing segment refers to the following summarized cash-generating units:

	2008 €k	2007 €k
AdLINK Media	3,630	6,444
Affiliate Marketing	9,554	15,984
Domain Marketing	31,635	31,635
Minority interests	44,487	37,089
	89,306	**91,152**

Goodwill from the acquisition of minority interests in AdLINK Internet Media AG are tested by the Company for impairment on a sub-group level.

The recoverable amounts of the cash-generating units in the Online Marketing segment are also calculated on the basis of a value-in-use calculation using cash flow forecasts. The cash flow forecasts for the Online Marketing segment are based on the budget for fiscal 2009 approved by the Supervisory Board. An expected estimate made by the Management Board was used for the years 2010 to 2013, as well as external market studies. As in the previous year, annual cash flow increases after this five-year period are based on an expected inflation rate of 2%. As in the previous year, the discounted pre-tax interest rates used for the cash flow forecasts are between 12% and 14%, depending on the cash-generating unit.

The Online Marketing segment also includes trademarks with a total carrying value of € 65k (prior year: € 109k). In the course of business combinations, these were also valued at their fair values using the royalty relief method. The test resulted in impairment of € 44k (prior year: € 0). The write-downs are recognized in "Cost of sales".

Basic assumptions for the calculation of value-in-use

There are uncertainties involved with the underlying assumptions used for the calculation of value-in-use for the cash-generating units:

- **Sales revenue**
  The management of the respective cash-generating unit expects a further increase in sales within its planning horizon. For the cash-generating units of the Product segment, an increase of between 4% and 23% is expected for the fiscal years 2009 to 2013 (prior year: 6% and 19%). For the cash-generating units of the Online Marketing segment, management expects sales to grow by between -59% and 28% (prior year: 2% and 39%).
- **Growth rates**
  Growth rates are based on published sector-specific market forecasts. In the case that such forecasts are not available, internal assumptions are made.
- **Gross margin**
  The planned gross margins are based on market assumptions made by the management of the respective cash-generating unit. In the Online Marketing segment, a reduction of between 0% and 2% per annum was assumed within the planning horizon, in order to account for growing competition. Management expects constant gross margins in the Product segment.
- **Discount rates**
  Discount rates reflect management assumptions regarding the specific risks attributable to the respective cash-generating units. The choice of suitable discount rates in the Product segment is based on a virtually risk-free interest rate, which is increased by a specific risk premium.

Sensitivity of assumptions

The sensitivity of the assumptions made with respect to the impairment of goodwill or trademarks depends on the respective cash-generating units.

Product segment

For the cash-generating units of the Product segment, the Company's management believes that, on the basis of reasonable judgment, no generally possible change in one of the basic assumptions used to determine the value-in-use of a cash-generating unit could cause the carrying value to significantly exceed its recoverable value. The effects of changes to the basic assumptions is explained below:

- **Discount rates**
  A change in the virtually risk-free interest rate or specific risk premium also changes the underlying discount rates of the impairment test. A change in the discount rates used of 1%-point, however, would not have any effect on the impairment test.
- **Growth rates**
  Management recognizes that the growth of the Product segment, and thus the growth of those cash-generating units operating in this segment, depends heavily on the development of internet usage and thus its acceptance as a medium used in private and business life. The entry of new competitors and the projected market consolidation in the Product segment are not expected to have any negative effect on forecasts used in the budgets. A possible change on the basis of reasonable judgment, however, may lead to growth rates which differ from those used in the budgets of the respective cash-generating unit. A decline in growth rates, within the possible parameters of reasonable judgment, would not result in a reduction of value-in-use to below carrying value.

Online Marketing segment

- **Discount rates**
  A change in the virtually risk-free interest rate or specific risk premium also changes the underlying discount rates of the impairment test. A change in the discount rates used of 1%-point, would result in additional impairment of € 725k.
- **Growth rates**
  A decline in the underlying growth rate of 1%-point, would result in additional impairment of € 1,020k.

31 Trade accounts payable

Trade accounts payable amounting to € 170,743k (prior year: € 232,421k) are owed to independent third parties with terms of less than one year.

32 Liabilities due to banks

a) Liabilities due to banks

	2008 €k	2007 €k
Bank loans	528,301	369,223
less		
Current portion of liabilities to banks	0	–174
Non-current portion of liabilities to banks	528,301	369,049
Current portion of non-current liabilities to banks	0	174
Short-term loans/overdrafts	16,069	1,882
Current portion of liabilities to banks	16,069	2,056
Total	**544,370**	**371,105**

In September 1997 the Company raised two long-term loans of € 2,045k and € 2,250k to finance the Multimedia Internet Park in Zweibrücken. The first loan was repaid in full on expiry of the fixed-interest period on July 30, 2007. After the fixed-interest period of the second loan ended on July 30, 2008, the remaining debt of € 961k was repaid in full.

Non-current bank liabilities result mainly from a syndicated loan with a total amount committed of € 500.0 million. The syndicated loan agreement was concluded on September 14, 2007. The total credit facility is divided into Tranche A amounting to € 300.0 million and Tranche B totaling € 200.0 million.

As of the balance sheet date, € 300.0 million have been used from Tranche A and € 80.0 million from Tranche B.

Tranche A has a term of five years. Repayment is made from March 14, 2010 in six equal half-yearly installments. Tranche B is a revolving syndicated loan, which is also used to refinance the syndicated loan of October 13, 2005 amounting to € 125.0 million. The syndicated loan expires on September 13, 2012.

The loans have variable interest rates. The effective interest rates for the interest periods of one, two, three, six or twelve months are tied to the EURIBOR rate plus a margin p.a.. This margin depends on key performance indicators of the United Internet Group. As of the balance sheet date, the interest rates range between 3.25% and 4.38% (prior year: 5.05% and 5.18%). No collateral was provided for these syndicated loans.

Further liabilities due to banks result from a promissory note loan of € 150.0 million. The promissory note loan was issued on July 23, 2008. The promissory note is a bullet loan and divided into a Tranche A of € 78.0 million with a term ending July 23, 2011 and a Tranche B of € 72.0 million with a term ending July 23, 2013. No separate collateral was provided for this promissory note loan. The loans have variable interest rates. The effective interest rate for the interest period of three months is tied to the EURIBOR rate plus a margin p.a.. As of the balance sheet date, the interest rates range between 6.04% and 6.24%.

Current bank liabilities mainly result from a credit line used by AdLINK. As of the balance sheet date, the interest rates range between 2.92% und 3.70%. The credit lines of AdLINK Internet Media AG amount to € 53.4 million. The maturity date for € 20.0 million is May 2009, for € 15.0 million in November 2009 and a further € 18.4 million are available until further notice.

The fair values of these loans amount mainly to their carrying values.

A cash pooling agreement (overdraft service) has been in place between United Internet AG, certain subsidiaries and WestLB AG, Düsseldorf, since October 1, 2002. Under the agreement, credit and debit balances are netted within the Company each banking day and summarized.

b) Credit lines
United Internet AG has the following credit lines for advances on current accounts and other short-term loans with three banks:

	2008 €m	2007 €m
Available credit lines	55.0	55.0
Utilization (guarantees only)	9.2	7.1
Average interest rate (in %)	n.a.	n.a.
Unutilized credit facilities	45.8	47.9

The credit facilities have been granted by the banks for limited periods. € 15.0 million expire in June 2009, € 25.0 million expire in September 2009 and a further € 15.0 million are available at further notice.

A further amount of € 120 million is also available until September 13, 2012 from the unutilized proportion of the syndicated loan.

With regard to credit lines granted to the companies of the United Internet Group by one bank, United Internet AG is liable as co-debtor. The credit facilities had only been utilized through guarantees as of the balance sheet date. For this reason, no average interest rate has been given.

33 Accrued taxes

Accrued taxes consist of the following items:

	2008 €k	2007 €k
Germany	30,601	27,333
United Kingdom	2,823	2,049
Spain	201	0
Belgium	196	135
France	34	57
USA	0	598
	33,855	**30,172**

34 Deferred revenue

In the Product segment, customers pay for certain contracts in advance for a maximum of 24 months.

The prepaid charges are allocated and recognized as revenues over the underlying contractual period.

35 Other accrued liabilities

The development of accruals in fiscal year 2008 was as follows:

	Litigation risks €k	Others €k	Total €k
Jan. 1, 2008	2,573	5,110	7,683
Utilization	705	5,000	5,705
Reversal	577	0	577
Addition	445	2,667	3,112
Dec. 31, 2008	**1,736**	**2,777**	**4,513**

Litigation risks consist of various legal disputes of 1&1 Internet and AdLINK.

Other accruals referred mainly to provisions for impending losses and obligations to joint ventures. In the previous year, other accrued liabilities referred mainly to an indemnity commitment for a joint venture.

36 Other liabilities

	2008 €k	2007 €k
Other current liabilities		
- Liabilities to the tax office	20,929	19,222
- Salary and social security liabilities	11,027	11,764
- Liability from interest hedging	6,671	0
- Option agreement	6,425	2,663
- Marketing and selling expenses / commissions	6,133	7,387
- Transaction costs for sale of shares	2,153	2,153
- Legal and consulting fees, auditing fees	1,816	3,125
- Indemnity commitment	0	5,000
- Loans received from associated companies	0	2,983
- Purchase price for acquisition of shares	0	1,836
- Others	6,611	4,110
Total	**61,765**	**60,243**

Liabilities to the tax office mainly relate to sales tax liabilities.

The liability from interest hedging results from a negative market value as of the balance sheet date.

The liability from an option agreement in fiscal year 2008 is in connection with the valuation of a written call option regarding the acquisition of shares in free-net AG. Please see Note 42 for more details.

Transaction costs for the sale of shares refer to the sale of shares in twenty4help Knowledge Service AG.

For further details on the indemnity commitment for a joint venture and the loan received from an associated company, please refer to Note 42.

The purchase price for the acquisition of shares referred to a forward purchase agreement in connection with the purchase of further shares in InterNetX GmbH., which was settled in cash in fiscal year 2008.

The non-current liabilities of € 10,892k (prior year: € 886k) result mainly from minority interests of the partnerships EFF No. 2 and EFF No. 3.

37 Employee stock ownership plans

The United Internet Group has various plans which allow executives and managers to participate in the Company's profits. All of these plans are treated as equity-settled shared-based payment transactions.

United Internet AG

Convertible bonds

In accordance with the resolution passed by the shareholders' meeting on May 16, 2003, convertible bonds may be issued to employees of the Company and of subsidiaries of the Company and to executive body members of subsidiaries of the Company. Conditional capital of € 6,000k was created for this purpose.

The convertible bonds, which bear interest of 3.5% per annum, may be exchanged as a whole or in part for shares in United Internet AG. Each € 1 nominal amount of the convertible bonds can be exchanged for 4 registered shares (following the share split).

The authorized subscribers are entitled, after specified periods, to convert the convertible bonds in full or part to shares in the Company. In the event that this conversion option is exercised, an additional payment in cash is to be made to acquire each no-par share; this is the amount by which the conversion price exceeds one quarter of the nominal amount of the convertible bond (following the share split).

Up to 25% may be converted at the earliest 24 months after the date of issue of the convertible bonds; up to 50% (i.e. including the previously exercised conversion options) at the earliest 36 months after the date of issue of the convertible bonds. A total of up 75% may be exercised at the earliest 48 months after the date of issue of the convertible bonds; the full amount may be

	Valuation parameters			
Issue date	25.03.2003	31.08.2003	15.08.2004	27.05.2005
Fair value	1,141 €k	3,211 €k	411 €k	932 €k
Average market value per convertible bond	0.82 €	1.68 €	1.29 €	1.55 €
Dividend yield	0.5 %	0.5 %	1.0 %	1.0 %
Volatility of the share	61 %	52 %	45 %	39 %
Expected term (years)	4	5	5	5
Risk-free interest rate	3.66 %	3.85 %	3.85 %	2.86 %

exercised at the earliest 60 months after the date of issue of the convertible bonds.

Using an option pricing model in accordance with IFRS 2, the personnel expense for convertible bonds amounted to € 129k (prior year: personnel income of € 48k). The compensation expense for this employee stock ownership plan is included in administrative expenses.

Using an option pricing model in accordance with IFRS 2 (“Black-Scholes” stock option pricing model), the fair value of options connected with the conversion rights was determined as is shown in the table above.

AdLINK Internet Media AG

Convertible bonds

In accordance with the resolution passed by the extraordinary shareholders’ meeting on April 4, 2000, convertible bonds may be issued to members of the Management Board and other executives of the Company and of subsidiaries of the Company and to executive body members of subsidiaries of the Company.

Every nominal amount of € 1 of a partially convertible bond can be converted into a no-par share in AdLINK Internet Media AG having an accounting share in the capital stock of € 1. If converted, a cash premium in the amount of the difference between € 1 and the conversion price has to be paid. The conversion price is the cash settlement price of the AdLINK Internet Media AG share as recorded during trade in the electronic trading system of Deutsche Börse AG at the time the convertible bond was issued.

A 20% portion of the company’s convertible bonds may be converted into shares in the company no earlier than 12 months after the date of issue. Up to 40% may be converted no earlier than 24 months, up to 70% no earlier than 36 months, and the whole amount no earlier than 48 months after they were issued.

In accordance with the resolution passed by the annual shareholders’ meeting on May 17, 2004, convertible bonds may be issued to employees of the company and of subsidiaries of the company, as well as to members of the company’s Management Board and executive body members of subsidiaries of the company.

Every nominal amount of € 1 of a partially convertible bond can be exchanged for 10 no-par shares having an accounting share in the capital stock of € 1 each. If the conversion option is exercised, an additional cash payment has to be made in the amount by which the conversion price exceeds one tenth of the par value of the convertible bond. The conversion price corresponds to 120% of the market price, calculated as the average of the closing price of the company share in floor trading of the Frankfurt stock exchange on the last five trading days before the convertible bonds are issued.

Up to 25% may be converted at the earliest 24 months after the date of issue of the convertible bonds; up to 50% (i.e. including the previously exercised conversion options) at the earliest 36 months after the date of issue of the convertible bonds. A total of up 75% may be exercised at the earliest 48 months after the date of issue of the convertible bonds; the full amount may be exercised at the earliest 60 months after the date of issue of the convertible bonds.

Using an option pricing model in accordance with IFRS 2, the personnel expense for convertible bonds amounted to € 70k (prior year: € 180k). The compensation expense for this employee stock ownership plan is included in administrative expenses.

	Valuation parameters		
Issue date	02.01.2004	20.04.2005	23.05.2005
Fair value	209 €k	364 €k	614 €k
Average market value per convertible bond	1.23 €	0.91 €	1.71 €
Dividend yield	0.0 %	0.0 %	0.0 %
Volatility of the share	88 %	68 %	68 %
Expected term (years)	4	5	5
Risk-free interest rate	3.85 %	3.50 %	3.50 %

Using an option pricing model in accordance with IFRS 2 ("Black-Scholes" stock option pricing model), the fair value of options connected with the conversion rights was determined shown in the table above.

The changes in the convertible bonds granted and outstanding are shown in table below.

As in the previous year, the exercise price for outstanding convertible bonds of United Internet AG at the end of the reporting period was € 4.35.

The weighted average share price for convertible bonds of United Internet AG exercised in the period under review amounted to € 4.87.

The exercise price for outstanding convertible bonds of AdLINK Internet Media AG at the end of the reporting period was between € 3.24 and € 3.60 (prior year: € 1.71 and € 3.60).

The weighted average share price for convertible bonds of AdLINK Internet Media AG exercised in the period under review amounted to € 13.47.

United Internet AG

Option agreement
In 2004, an option agreement was concluded between Mr. Stéphane Cordier and United Internet AG. Under

	United Internet AG		AdLINK Internet Media AG	
	Convertible bond	Average strike price (€)	**Convertible bond**	Average strike price (€)
Outstanding as of December 31, 2006	2,702,292	3.81	778,000	3.08
Exercised	–278,796	4.35	–85,000	1.71
Exercised	–880,000	2.13	–100,000	3.24
Exercised	–40,000	3.82	–54,740	3.60
Expired	–26,740	4.35	–51,000	1.71
Expired	–80,000	3.82	–25,630	3.60
Expired	–600,000	5.26	–	–
Outstanding as of December 31, 2007	796,756	4.35	461,630	3.37
Exercised	–35,212	4.35	–51,250	3.60
Expired	–602,740	4.35	–58,250	3.60
Outstanding as of December 31, 2008	**158,804**	**4.35**	**352,130**	**3.29**
Exercisable as of December 31, 2007	352,508		750	
Exercisable as of December 31, 2008	158,804		101,880	
Weighted average remaining term (in months)	6		28	

the provisions of this agreement, Mr. Cordier has the right to acquire 400,000 shares of AdLINK Internet Media AG from the United Internet AG, divided into four options of 100,000 shares. The strike price amounts to € 1.50 per share, whereby 25% of shares cannot be acquired before July 1, 2004, 50% not before March 30, 2005, 75% not before March 30, 2006 and 100% not before March 30, 2007. The options may only be exercised in full. Partial exercise is not possible. No options had been exercised as of the balance sheet date.

Using an option pricing model in accordance with IFRS 2, the personnel expense for options issued amounted to € 0k (prior year: € 14k). The compensation expense is included in administrative expenses.

Using an option pricing model in accordance with IFRS 2 ("Black-Scholes" stock option pricing model), the fair value of the options was determined as follows:

	Valuation parameters
Issue date	24.04.2004
Fair value	543 €k
Average market value per convertible bond	1.36 €
Dividend yield	0.0 %
Volatility of the share	79 %
Expected term (years)	3
Risk-free interest rate	3.85 %

United Internet AG

Virtual stock options

The employee stock ownership plans 2006 and 2008 employ virtual stock options (so-called Stock Appreciation Rights - SARs). SARs refer to the commitment of United Internet AG (or a subsidiary) 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, 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.

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, however, to fulfill its commitment (or the commitment of a subsidiary) to pay the SAR in cash by also transferring one United Internet AG share per SAR from its stock of treasury shares to the beneficiary, at its own discretion.

In the case of stock-based remuneration plans which grant the Company the contractual choice of settling in cash or issuing equity instruments, the Company must determine whether there is a current cash settlement commitment and disclose the stock-based remuneration transaction correspondingly. There is a current cash settlement commitment if the possibility to settle by means of equity instruments has no economic substance (e.g. because the company is legally forbidden to issue shares), or cash settlement was common business practice or the declared company guideline in the past, or the company generally settles in cash if the beneficiary so desires.

This transaction is carried in the balance sheet according to the regulations for stock-based remuneration plans with settlement via equity instruments.

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% (i.e. including the previously exercised options) at the earliest 36 months after the date of issue of the option. A total of up 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.

Using an option pricing model in accordance with IFRS 2, the personnel expense for options issued amounted to €2,469k (prior year: € 1,342k).

Using an option pricing model on the basis of a binominal model in accordance with IFRS 2, the fair value of options issued was calculated as is shown in the table above.

AdLINK Internet Media AG

Virtual stock options

The employee stock ownership plan 2007 employs virtual stock options (so-called Stock Appreciation Rights - SARs). SARs refer to the commitment of AdLINK Internet Media AG (or a subsidiary) to pay the beneficiary a cash amount equivalent to the difference between the

	Valuation parameters						
Issue date	30.05.2006	14.08.2006	14.03.2007	12.11.2007	29.01.2008	30.05.2008	20.11.2008
Fair value	1,000 €k	1,790 €k	1,200 €k	1,394 €k	596 €k	1,309 €k	1,424 €k
Average market value per convertible bond	2.50 €	2.24 €	3.00 €	3.49 €	2.98 €	3.27 €	0.95 €
Dividend yield	1.0 %	1.0 %	1.4 %	1.6 %	1.5 %	1.4 %	0.0 %
Volatility of the share	36 %	39 %	44 %	46 %	46 %	46 %	55 %
Expected term (years)	5	5	5	5	5	5	5
Risk-free interest rate	3.65 %	3.84 %	3.83 %	3.91 %	3.64 %	4.30 %	2.63 %

issue price on the date of granting the option and the median closing price of the Company's share in electronic trading (Xetra) of the Frankfurt Stock Exchange on the last 10 trading days before exercising the option. The issue price is the median closing price of the Company's share in electronic trading (Xetra) of the Frankfurt Stock Exchange on the last 10 trading days before exercising the option, plus a surcharge of 20%. Payment of value growth to the entitled person is limited to 100% of the strike price.

This transaction is carried in the balance sheet according to the regulations for stock-based remuneration plans with settlement via equity instruments.

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% (i.e. including the previously exercised options) at the earliest 36 months after the date of issue of the option. A total of up 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.

As opposed to standard conditions, different time hurdles were agreed for the tranche of March 6, 2008. Up to 50% of the option right may be exercised at the earliest on April 1, 2008 and the full amount at the earliest on April 1, 2009.

Using an option pricing model in accordance with IFRS 2, the personnel expense for options issued amounted to € 1,352k (prior year: € 117k).

Using an option pricing model on the basis of a binominal model in accordance with IFRS 2, the fair value of options issued was calculated as is shown below.

The changes in the virtual stock options granted and outstanding are shown in the table above.

The mean weighted share price for Stock Appreciation Rights of United Internet AG exercised in the period under review amounted to € 13.89.

Assumptions used in evaluating options

The anticipated maturities of conversion rights from convertible bonds and virtual stock options are based on historical data and do not necessarily correspond to the actual exercise behavior of the beneficiaries. Expected volatility is based on the assumption that historical volatility is an indicator of future trends.

	Valuation parameters				
Issue date	03.09.2007	28.11.2007	22.02.2008	06.03.2008	30.10.2008
Fair value	863 T€	723 T€	231 T€	870 T€	12 T€
Average market value per convertible bond	3,75 €	3,61 €	3,86 €	4,35 €	1,65 €
Dividend yield	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %
Volatility of the share	52 %	55 %	40 %	39 %	53 %
Expected term (years)	5	5	5	5	5
Risk-free interest rate	4,00 %	3,86 %	3,61 %	3,51 %	3,24 %

	United Internet AG		AdLINK Internet Media AG	
	SAR	Average strike price (€)	SAR	Average strike price (€)
Outstanding as of December 31, 2006	1,200,000	10.36	0	
Issued	400,000	13.74	230,000	15.51
Issued	400,000	15.77	200,000	17.41
Outstanding as of December 31, 2007	2,000,000	12.21	430,000	16.39
Issued	1,000,000	12.85	60,000	18.15
Issued	400,000	13.89	200,000	18.60
Issued	1,495,000	6.07	7,200	7.43
Exercised	–100,000	11.30		
Expired	–300,000	9.89	–70,000	15.51
Outstanding as of December 31, 2008	**4,495,000**	**10.56**	**627,200**	**17.26**
Exercisable as of December 31, 2007	0		0	
Exercisable as of December 31, 2008	0		0	
Weighted average remaining term (in months)	49		60	

Actual volatility can thus differ from the assumptions made.

38 Deferred tax liabilities

Please refer to Note 16 for details on deferred tax liabilities.

39 Capital stock

On the balance sheet date, fully paid capital stock amounted to € 251,469,184, divided into 251,469,184 registered shares each having a theoretical share in the capital stock of € 1.

Through partial use of conditional capital, the capital stock of the Company was increased in December 2008 by € 35,212, from € 251.433.972 to € 251,469,184, by issuing 35,212 new, no-par registered shares for cash contribution. The cash contribution represented the conversion of convertible bonds in fiscal year 2008 issued under the Company's employee stock ownership plan.

In fiscal year 2008, United Internet AG acquired 22,000,000 treasury shares (prior year: 18,000,000), or 8.75% (prior year: 7.16%) of current capital stock (prior year: 3.29%). Treasury shares reduce equity capital are bear no dividend rights.

Authorized capital

The Company's Management Board is authorized, subject to the approval of the Supervisory Board, to increase the capital stock by June 12, 2011 by a maximum of € 124,550,402 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

There are the following lots of conditional capital:

- The capital stock has been conditionally increased by up to a further € 4,868,364, divided into 4,868,364 no-par registered shares. The conditional capital increase is earmarked for conversion options to be granted to bearers of convertible bonds, which the shareholders' meeting on May 16, 2003 authorized the Management Board to issue. The shares will participate in profits from the beginning of the fiscal year in which they are created by exercising the conversion rights.
- The capital stock has been conditionally increased by up to a further € 3,000,000, divided into 3,000,000 no-par registered shares. The conditional capital increase is earmarked for conversion options to be granted to bearers of convertible bonds, which the shareholders' meeting on May 18, 2005 authorized the Supervisory Board to issue. The shares will participate in profits from the beginning of the fiscal year in which they are created by exercise of the conversion option.
- The capital stock has been conditionally increased by up to a further € 92,000,000, divided into 92,000,000 no-par registered shares. 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 18, 2005 authorized the Company or a subordinated Group company to issue, providing the issue is in return for cash and the warrant or convertible bonds are not serviced from the stock of treasury shares or approved capital.
- In accordance with Sec. 71 (1) No. 8 AktG, the Company is authorized until November 26, 2009 to acquire treasury shares of up to ten percent of its capital stock. The price for the acquisition of these shares may not be more than 10% lower or higher than the stock market price. As of the balance sheet date, the Company held 22,000,000 treasury shares. Treasury shares can be used for all purposes named in the authorization of the Annual Shareholders' Meeting of May 27, 2008.

40 Reserves

As of December 31, 2008, capital reserves amounted to € 163,896k (prior year: € 160,095k). The increase results mainly from the exercise of conversion rights from the employee stock ownership plan amounting to € 118k (prior year: € 2,043k), as well as from the corresponding booking of personnel expenses from the employee stock ownership plan totaling € 3,867k (prior year: € 1,605k).

As of the balance sheet date, the revaluation reserve consisted of the following items:

	2008 €k	2007 €k
- Afilias shares	7,189	4,805
- EFF No. 3	2,697	0
- EFF No. 1	116	0
- Goldbach shares	0	7,650
- Drillisch shares	0	–3,044
Total	**10,002**	**9,411**

The change in the revaluation reserve results mainly from the reclassification of temporary value adjustments recognized directly in equity in the previous year. Profit and loss from subsequent valuation to fair value are recognized net in equity – i. e. less deferred taxes – and after minority interests. Due to the no longer temporary value adjustments of shares in Goldbach and Drillisch, there was a reclassification from the revaluation reserve and an expense was recognized in the income statement. Please see Note 26.

41 Additional details on financial instruments

The table on the next page shows the carrying values for each category of financial assets and liabilities for fiscal year 2008.

Cash and cash equivalents, trade accounts receivable and trade accounts payable mostly have short remaining terms. Their carrying values on the balance sheet date are thus similar to fair value.

Trade accounts payable generally have short remaining terms. Their carrying values on the balance sheet date are thus similar to fair value.

Financial liabilities carried at fair value through profit or loss mainly refer to a derivative financial instrument resulting from a delivery obligation for shares in listed companies and an interest hedging transaction.

The table on the page after next shows the carrying values for each category of financial assets and liabilities for fiscal year 2007:

Derivative financial instruments

The United Internet Group holds the following derivative financial instruments:

On October 7, 2008 United Internet AG concluded two interest swap agreements. The nominal volume of each amounts to € 100,000k with a term until October 9, 2013. The interest hedging agreements can be terminated once by the credit institutes involved no sooner than in October 2010. The interest hedging transactions were concluded to hedge against the interest risk, but do not meet the requirements of IAS 39 on Hedge Accounting and were recognized at fair value through profit and loss. The negative fair value as of the balance sheet date amounts to € 6,671k and was disclosed under "Current other liabilities".

In a contract dated December 16, 2008, United Internet AG submitted an offer to a contractual partner, limited to February 28, 2009, to purchase 5,399,409 shares in freenet AG at an agreed price. The negative fair value of the written call option amounts to € 6,425k as of the balance sheet date and was disclosed under "Current other liabilities". The contractual partner did not exercise the call option by the end of the term in February 2009.

In addition, the United Internet Group has various first refusal rights and call options for the purchase of further shares in certain investments, some of which are tied to certain prerequisites and conditions. The underlying purchase prices are mainly the fair values of the shares to be purchased, so that no significant financial assets or liabilities arise from these agreements.

42 Transactions with related parties

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

United Internet's premises in Montabaur are leased from Mr. Ralph Dommermuth, the Chief Executive Officer and a major shareholder of the Company. The corresponding lease agreements run until June 2009, February 2015 and December 2016. The resulting rent expenses are customary and amounted to € 1,609k in fiscal year 2008 (prior year: € 1,561k).

At the ordinary shareholders' meeting on May 18, 2005, Mr. Kurt Dobitsch (chairman), Mr. Bernhard Dorn † and Mr. Michael Scheeren were elected once again as members of the Company's Supervisory Board.

Our long-standing Supervisory Board member Mr. Bernhard Dorn † passed away on February 10, 2008. Following a proposal by the Supervisory Board and Management Board, Mr. Kai-Uwe Ricke was appointed acc. to Sec. 104 AktG by the district court of Montabaur as the new member of the Company's Supervisory Board on February 20, 2008. The appointment was made for the period up to the next Annual Shareholders' Meeting. At the Annual Shareholders' Meeting of May 27, 2008, Mr. Kai-Uwe Ricke was elected by the shareholders to the Supervisory Board. Mr. Ricke was elected for the period ending with the Annual Shareholders' Meeting which adopts the resolution to release the Supervisory Board members from their responsibility for fiscal year 2009.

2008 in €k	Valuation category acc. to IAS 39	Carrying value on Dec. 31, 2008	Measured acc. to IAS 39 Amortized cost	 Fair value not through profit or loss	 Fair value through profit or loss	Fair value on Dec. 31, 2008
Financial assets						
Cash and cash equivalents	lar	55,372	55,372			55,372
Trade accounts receivable	lar	119,066	119,066			119,066
Loans to joint ventures	lar	0	0			0
Other assets	lar	12,737	12,737			12,737
Other financial assets	lar/afs					
Others	lar	2,287	2,287			2,287
Investments	afs	70,498		70,498		70,498
Financial liabilities						
Trade accounts payable	flac	171,423	171,423			171,423
Liabilities due to banks	flac	544,370	544,370			544,370
Other liabilities	flac/hft	71,977	58,881		13,096	71,977
Convertible bonds	flac	74	74			74
Of which aggregated acc. to valuation categories:						
Loans and receivables	lar	189,462	189,462	0	0	189,462
Available-for-sale	afs	70,498	0	70,498	0	70,498
Financial liabilities measured at amortized cost	flac	774,748	774,748	0	0	774,748
Held-for-trading	hft	13,096			13,096	13,096

The following net results were stated for the individual categories of financial instruments acc. to IAS 39 in fiscal year 2008:

Net result acc. to valuation categories for fiscal year 2008 in €k	Valuation category acc. to IAS 39	From interest and dividends	Net profits and losses from subsequent valuation Fair value	 Currency translation	 Value adjusted	From disposal	Net result
Loans and receivables (lar)	lar	2,160	–	544	–22,908	–	–20,204
Available-for-sale (afs)	afs	–	–	–	–	–	0
- erfolgsneutral		–	–19	–	–	–	–19
- erfolgswirksam		1,768	–42,379	–	–	–	–40,611
Financial liabilities measured at amortised cost (flac)	flac	–33,498	–	233	–	–	–33,265
Held-for-trading (hft)	hft	–	–822	–	–	–	–822
		–29,570	**–43,220**	**777**	**–22,908**	**0**	**–94,921**

2007 in €k	Valuation category acc. to IAS 39	Carrying value on Dec. 31, 2007	Measured acc. to IAS 39			Fair value on Dec. 31, 2007
			Amortized cost	Fair value not through profit or loss	Fair value through profit or loss	
Financial assets						
Cash and cash equivalents	lar	59,770	59,770			59,770
Trade accounts receivable	lar	123,788	123,788			123,788
Loans to joint ventures	lar	4,007	4,007			4,007
Other assets	lar	16,371	16,371			16,371
Other financial assets	lar/afs					
Others	lar	5,395	5,395			5,395
Investments	afs	62,472		62,472		62,472
Financial liabilities						
Trade accounts payable	flac	233,307	233,307			233,307
Liabilities due to banks	flac	371,105	371,105			371,105
Other liabilities	flac/hft	60,243	57,580		2,663	60,243
Convertible bonds	flac	245	245			245
Of which aggregated acc. to valuation categories						
Loans and receivables	lar	209,331	209,331			209,331
Available-for-sale	afs	62,472		62,472		62,472
Financial liabilities measured at amortized cost	flac	662,237	662,237			662,237
Held-for-trading	hft	2,663			2,663	2,663

The following net results were stated for the individual categories of financial instruments acc. to IAS 39 in fiscal year 2007:

Net result acc. to valuation categories for fiscal year 2007 in €k	Valuation category acc. to IAS 39	From interest and dividends	Net profits and losses from subsequent valuation			From disposal	Net result
			Fair value	Currency translation	Value adjusted		
Loans and receivables (lar)	lar	1,426	–	–260	–13,690	–	–12,524
Available-for-sale (afs)	afs	–	–	–	–	–	0
- erfolgsneutral		–	9,274	–	–	–	9,274
- erfolgswirksam		623	–	–	–	–	623
Financial liabilities measured at amortised cost (flac)	flac	–6,674	–	–111	–	–	–6,785
Held-for-trading (hft)	hft	–	–2,663	–	–	–	–2,663
		–4,625	**6,611**	**–371**	**–13,690**	**0**	**–12,075**

In fiscal year 2008, the members of the Supervisory Board also held seats on supervisory boards or similar committees of the following companies:

Kurt Dobitsch
- 1&1 Internet AG, Montabaur
- Nemetschek AG, Munich (Chairman)
- Bechtle AG, Gaildorf
- docuware AG, Munich
- Hybris AG, Zürich / Switzerland
- Graphisoft S.E, Budapest / Hungary

Kai-Uwe Ricke
- 1&1 Internet AG, Montabaur
- AP Investment Europe Limited, Guernsey (Chairman)
- Assicurazioni Generali S.p.A, Trieste / Italy
- easy cash GmbH, Eschborn
- Kabel Baden-Württemberg GmbH & Co. KG, Heidelberg
- Saudi Oger Telecom Ltd., Dubai / Emirat Dubai

Michael Scheeren
- 1&1 Internet AG, Montabaur (Chairman)
- AdLINK Internet Media AG, Montabaur (Chairman)
- United Internet Media AG, Montabaur (Deputy Chairman)
- Goldbach Media AG, Küsnacht-Zürich / Switzerland

The members of the Supervisory Board receive compensation consisting of a fixed element and a variable element which depends on the Company's success. The fixed remuneration for an ordinary member of the Supervisory Board amounts to € 20k per full fiscal year. The chairman of the Supervisory Board receives the double amount. The variable element for each member of the Supervisory Board, including the chairman, amounts to € 2k for every cent which exceeds the consolidated earnings per share value of € 0.10 for United Internet AG, calculated according to IFRS.

The following table provides details on the compensation received by members of the Supervisory Board:

2008	Fixed €k	Variable €k	Total €k
Kurt Dobitsch	40	–	40
Kai-Uwe Ricke	20	–	20
Michael Scheeren	20	–	20
	80	**0**	**80**

2007	Fixed €k	Variable €k	Total €k
Kurt Dobitsch	40	72	112
Bernhard Dorn †	20	72	92
Michael Scheeren	20	72	92
	80	**216**	**296**

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

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 2008. 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 sales and earnings figures. The target attainment corridor is generally between 80% to 120%. No bonus is paid below 80% 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 generally made after the annual financial statements have been adopted by the Supervisory Board. In fiscal year 2008, a preliminary remuneration of € 1,000k (prior-year: € 953k) was agreed for the Management Board. Of this total, € 600k or 60% was fixed and € 400k or 40% variable.

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

In fiscal year 2008, Mr. Norbert Lang was granted 800,000 virtual stock options (SARs) at an exercise price of € 12.85. When the virtual stock options were granted, their fair value amounted to € 2,384k.

The following table provides details on the compensation received by members of the Management Board:

2008	Fixed €k	Variable €k	Total €k
Ralph Dommermuth	300	211	511
Norbert Lang	300	189	489
	600	**400**	**1,000**

2007	Fixed €k	Variable €k	Total €k
Ralph Dommermuth	200	242	442
Norbert Lang	200	293	493
	400	**535**	**935**

The number of shares in United Internet AG held by members of the Management Board and the Supervisory Board is given in the table below.

The United Internet Group can also exert significant influence on its associated companies and joint ventures.

Conditions of transactions with related parties

Sales to and purchases from related parties are conducted at standard market conditions. The open balances at year-end are unsecured, non-interest-bearing and settled in cash. There are no guarantees for receivables from or liabilities due to related parties. No allowances were recognized for receivables from related parties in fiscal year 2008 or the previous year. An impairment test is conducted annually. This includes an assessment of the financial position of the related party and the development of the market in which they operate.

In fiscal year 2008, interest income of € 33k (prior year: € 7k) resulted from a loan of € 4,000k granted in the previous year to MSP Holding GmbH. The loan was repaid in full during the period under review. A loan granted during the year resulted in interest income of € 511k. The loan of € 2,800k received in the previous year from European Founders Fund GmbH & Co. Beteiligungs KG No.1 was repaid in full at the beginning of the period under review. There were no more interest payments in fiscal year 2008 (prior year: € 183k).

The obligation from an indemnity obligation of € 10,000k to MSP Beteiligungs GmbH, a wholly owned subsidiary of MSP Holding GmbH, was repaid in full or offset in fiscal year 2008.

On December 29, 2008, United Internet AG acquired 10,798,817 shares in freenet AG from MSP Holding GmbH, equivalent to 8.43% of voting rights, at a price of € 3.38 per share. At the same time, Drillisch AG was granted the right to acquire 5,399,409 shares in freenet AG from United Internet AG by February 28, 2009. This call option in favor of Drillisch AG had a fair value of € 6,425k as of December 31, 2008. The fair value was calculated using an option pricing model. A volatility of 123.11% and a basic price of € 3.38 per share was assumed. As of the acquisition date, the fair value of a freenet share amounted to € 4.27.

As part of the cooperation with ProSiebenSat.1 Media AG, 1&1 Internet AG owns an interest in the joint venture maxdome GmbH & Co. KG, which operates the video-on-demand portal maxdome. As part of this cooperation, 1&1 Internet AG provides hosting and other services. The revenues generated by order and on account of maxdome were forwarded to maxdome GmbH & Co. KG. Moreover, 1&1 Internet AG has undertaken to provide maxdome GmbH & Co. KG, under certain circumstances, with subordinated partner loans of up to € 3,000k. As of December 31, 2008, € 400k of this credit facility had already been utilized. The loan serves to finance the operating business of maxdome GmbH & Co. KG and has a term until December 31, 2012. No collateral was provided for the loan.

Shareholding	January 1, 2008		January 1, 2008	December 31, 2008		December 31, 2008
Management Board	direct	indirect	total	direct	indirect	total
Ralph Dommermuth	17,600,000	70,400,000	88,000,000	17,600,000	74,400,000	92,000,000
Norbert Lang	–	576,128	576,128	–	576,128	576,128
	17,600,000	**70,976,128**	**88,576,128**	**17,600,000**	**74,976,128**	**92,576,128**
Supervisory Board	direct	indirect	total	direct	indirect	total
Kurt Dobitsch	–	–	–	–	–	–
Kai-Uwe Ricke	–	–	–	–	–	–
Michael Scheeren	700,000	–	700,000	700,000	–	700,000
	700,000	**–**	**700,000**	**700,000**	**–**	**700,000**

The table below presents the outstanding balances and total transactions volumes with associated companies and joint ventures in the respective fiscal year.

43 Objectives and methods of financial risk management

Principles of risk management

The risk management system introduced by the United Internet Group is based on the COSO-ERM framework and is described in detail in the Management Report.

The principles of finance policy are set by the Management Board and monitored by the Supervisory Board. Certain transactions require the prior approval of the Supervisory Board.

The main financial liabilities used by the Group include bank loans and overdraft facilities, convertible bonds, trade accounts payable and other financial liabilities.

The Group holds various financial assets which result directly from its business activities. They consist mainly of trade accounts receivable, available-for-sale financial investments and short-term deposits. As of the balance sheet date, the Group mainly held primary financial instruments. In addition, there are derivative financial instruments, which consist mainly of interest swaps and supply and acquisition obligations for shares in listed companies.

The aim of financial risk management is to limit these 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 market risks, as described below.

Liquidity risk

As in the previous year, 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 the continual coverage of its financial needs and securing flexibility by using overdraft facilities and loans.

Our global 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.

	Interest income		Interest expense	
	2008 €k	2007 €k	2008 €k	2007 €k
MSP Holding GmbH	544	7	–	–
maxdome GmbH & Co. KG	4	–	–	–
EFF Nr. 1	–	–	–	183

	Purchases/services from related parties		Sales/services to related parties		Liabilities due to related parties		Receivables from related parties	
	2008 €k	2007 €k	2008 €k	2007 €k	2008 €k	2007 €k	2008 €k	2007 €k
maxdome GmbH & Co. KG	3,806	–	–	–	2,915	–	–	–
Other	1,122	508	38	–	238	30	13	1

The table below shows all contractually fixed payments for redemption, repayments and interest for financial liabilities carried in the balance sheet as of December 31, 2008 and 2007.

Please refer to Note 32 for details on interest and redemption payments for liabilities to banks. It is assumed that the revolving syndicated loan will be repaid by the end of its term in 2012. The obligations to minority shareholders of the Company's investment funds EFF No. 2 and EFF N. 3 disclosed under "Other liabilities" are only due on the sale of the underlying portfolio companies.

The Company has no significant concentration of liquidity risks.

Market risks

The activities of United Internet are mainly exposed to financial risks from changes in interest rates, exchange rates, stock exchange prices, and credit or contingency risks.

Interest risk

The Group is exposed to interest risks as the major share of its borrowing as of the balance sheet date bears variable interest rates with varying terms. As part of liquidity planning we constantly monitor the various investment and borrowing possibilities. Borrowing requirements are met by using suitable instruments to manage liquidity, while 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 has increased since the previous year.

In fiscal year 2008, the Company concluded two interest swaps with a total nominal amount of € 200,000k in order to reduce its interest risk. Liabilities due to banks amounting to € 544,370k is thus covered to around 37%. The agreements have a term until October 9, 2013 and can be unilaterally terminated by the other contractual partners no sooner than in October 2010.

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.

A change in the market interest level has an effect on interest swaps stated at fair value with an effect on income. A parallel shift in the interest structure curve of + / - 100 basis points might have resulted in a comparable increase in pre-tax earnings of € 5,139k or a decrease of € 7,141k.

	31.12.2008 €k	2009 €k	2010 €k	2011 €k	2012 €k	>2013 €k€	Total €k
Liabilities to banks	544,370	31,408	115,265	193,664	188,081	74,570	**602,988**
Convertible bonds	74	74	0	0	0	0	**74**
Trade accounts payable	170,743	170,743	0	0	0	0	**170,743**
Other liabilities	72,657	56,274	2,923	674	196	10,399	**70,466**

	31,12,2007 €k	2008 €k	2009 €k	2010 €k	2011 €k	2012 €k	Total €k
Liabilities to banks	371,105	19,124	19,071	107,332	102,009	196,132	**443,667**
Convertible bonds	245	0	245	0	0	0	**245**
Trade accounts payable	232,421	232,421	0	0	0	0	**232,421**
Other liabilities	61,129	60,083	250	250	296	250	**61,129**

The interest risk is negligible for other interest-bearing liabilities.

Currency risk

A currency risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate due to changes in the exchange rates. The Group is mainly exposed to currency risks as a result of 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. The currency risk of United Internet results from investments, financing activities and operations. Currency risks which do not affect cash flows (i.e. risks from translating the assets and liabilities of foreign operations into the Group's reporting currency) are not hedged against. In the period under review, there were no foreign exchange risks with a significant impact on the cash flows.

With regard to operating activities, individual Group companies perform their business mainly in their respective functional currencies. As in the previous year, the Company therefore regards the currency risk from operations as low. Certain Group companies are exposed to foreign exchange risks in connection with planned payments outside their functional currency.

Foreign exchange risks arise from financial instruments which are denominated in a different currency to the functional currency and are of a monetary nature; exchange rate differences from the translation of annual financial statements into the Group's reporting currency are not considered. The relevant risk variables include all non-functional currencies in which the Company holds financial instruments.

A 10-percent change in the US dollar exchange rate against the euro upwards (downwards) might have resulted in a decrease (increase) in pre-tax earnings of € 925k based on the balance sheet of December 31, 2008. A 10-percent change in the English pound against the euro upwards (downwards) might have resulted in an increase (decrease) in pre-tax earnings of € 648k.

A 10 percent increase (decrease) in the exchange rate of the US dollar against the euro, based on the balance sheet vales of December 31, 2007, would have resulted in an decrease (increase) in pre-tax earnings of €1,327k. A 10 percent increase (decrease) in the exchange rate of the UK pound against the euro, would have resulted in an increase (decrease) in pre-tax earnings of €3,107k.

Stock exchange risk (valuation risk)

The Company classifies certain (quoted) assets as available-for-sale and records changes in their fair value in equity without an effect on profit or loss. If there is a significant or persistent decrease in the fair value of an equity instrument below its acquisition cost, the Company recognizes an impairment of the financial instrument in its income statement. The fair value of these listed assets amounted to € 20,956k as of the balance sheet date (prior year: € 57,119k).

Impairments may result from the share price development of listed investments.

The Company has no significant concentration of market risks.

Credit and contingency risk

In the course of its operating activities, the Company is exposed to a contingency risk. Outstanding amounts are therefore monitored locally and on a continual basis. Individual and lump-sum allowances are made to account for such contingency risks. The Group does not see any significant increase in the contingency risk over the previous year.

With regard to trade accounts receivable, the maximum risk in the gross amount stated in the balance sheet is before allowances but after netting. Trade accounts receivable which are not impaired as of the balance sheet date, are classified according to periods in which they become overdue (see Note 20).

Internal rating system

In the Product segment, a pre-contractual fraud check is conducted and collection agencies are also used for the management of receivables. In the Online Marketing segment, a pre-contractual check of creditworthiness is made in the media sales business and collection agencies are also used for the management of receivables.

In the Product segment, individual allowances for receivables overdue are generally made on the basis of the respective age profile. These allowances are mainly derived from success rates of the agencies used for collecting such debts. 100% individual allowances are made for all receivables overdue more than 365 days. In the Online Marketing segment, individual allowances are made for each customer according to various criteria (e.g. dunning level, insolvency, fraud cases etc.).

The Company has no significant concentration of credit risks.

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. 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, can issue new shares or purchase treasury shares. As of December 31, 2008 and December 31, 2008, no changes were made to the Company's targets, methods and processes.

44 Specific contingencies and commitments

Litigation

Litigation risks mainly relate to various legal disputes of 1&1 Internet and AdLINK.

An accrual for litigation was formed for any commitments arising from these disputes (see Note 35).

Guarantees

As of the balance sheet date, the Company has issued no guarantees.

45 Other financial commitments and contingencies

Operating lease commitments

At the end of the fiscal year, there were fixed-term obligations from the renting of buildings, offices and movables.

Most leases have options to prolong the contractual relationship. The terms of these prolongation options are negotiable or identical with the current terms.

As of December 31, the future minimum lease obligations were as follows:

	2008 €k	2007 €k
Up to 1 year	12,171	10,362
1 to 5 years	23,077	25,644
Over 5 years	3,046	3,155
	38,294	**39,161**

In the period under review, these operating leases incurred expenses of € 11,857k (prior year: € 9,965k).

Contingent liabilities and other obligations

The Company is jointly and severally liable for credit lines granted to companies of the United Internet Group by a bank. The credit facilities had only been utilized with regard to guarantees as of the balance sheet date.

Other financial commitments for the following two fiscal years total € 4,200k (prior year: € 6,539k).

In the previous year, there were short-term commitments of € 3,524k resulting from a pending purchase contract for the acquisition of shares in a listed company.

The Management Board has no knowledge of any other facts which could have a significant, adverse effect on the business activities, the financial situation or the operating result of the Company.

46 Cash flow account

In fiscal year 2008, cash flow from operating activities includes interest payments of € 27,632k (prior year: € 7,246k) and interest income of € 2,036k (prior year: € 1,206k). Income tax payments in fiscal year 2008 amounted to € 74,062k (prior year: € 71,389k). Proceeds from dividends paid by associated companies totaled € 392k (prior year: € 950k). Proceeds from dividends distributed by other investments amounted to € 1,768k (prior year: € 623k) in fiscal year 2008.

A total of € 160,696k (prior year: € 309,229k) was paid in cash for the purchase of shares in associated companies and joint ventures in fiscal year 2008. Further details are provided in Note 25.

An amount of € 9,538k (prior year: € 37,949k) was paid in cash for the purchase of additional shares of AdLINK in fiscal year 2008. The acquisition costs for the purchase of shares in Dollamore amounted to € 10,477k. The purchase price was settled fully in cash. As part of the acquisition of Dollamore, cash and cash equivalents of € 154k were received.

The sale of shares in associated companies (prior year: including affiliated companies) resulted in total cash proceeds of € 12,268k (prior year: € 92,129k) in fiscal year 2008.

47 Changes in the reporting unit

In addition to the business combinations and investments described in Note 3, the following companies were founded by the Company or its subsidiaries in fiscal year 2008:

- Dollamore Ltd., Melbourne / United Kingdom (100.00 %)
- Immobilienverwaltung NMH GmbH, Montabaur (100.00 %)
- UIM United Internet Media Austria GmbH, Wien / Austria (100.00 %)
- European Founders Fund Nr. 3 Management GmbH, Munich (80.00 %)
- European Founders Fund Nr. 3 Verwaltungs GmbH, Munich (80.00 %)
- European Founders Fund GmbH & Co. Beteiligungs KG Nr. 3, Munich (80.00 %)
    - European Founders Fund Nr. 3 Beteiligungs GmbH, Munich (100.00 %)

The consolidated group remained otherwise unchanged compared with the consolidated financial statements as of December 31, 2007.

48 Exemption pursuant to Sec. 264 (3) HGB

The following companies of United Internet AG make use of the exempting provisions of Sec. 264 (3) HGB:

- 1&1 Internet AG, Montabaur
- 1&1 Internet Service GmbH, Montabaur
- 1&1 Internet Service GmbH, Zweibrücken
- A1 Marketing, Kommunikation und neue Medien GmbH, Montabaur
- GMX Internet Services GmbH, Munich
- GMX GmbH, Munich
- United Internet Beteiligungen GmbH, Montabaur
- United Internet Media AG, Montabaur
- WEB.DE GmbH, Montabaur

49 Subsequent events

In a contract dated December 12, 2008, United Internet Beteiligungen GmbH acquired the shares in united-domains AG – subject to approval from the respective anti-trust authorities. Following the approval of the anti-trust authorities on January 30, 2009, the acquisition was completed on February 27, 2009. united-domains AG will continue to be run by its founders, who retain a total shareholding of 15% in united-domains AG after the acquisition. In the course of the transaction, the value of united-domains AG was set at around € 34 million. The preliminary purchase price was settled fully in cash, whereby C 7 million is held in escrow as a security guarantee for United Internet Beteiligungen GmbH. The final purchase price will be determined after united-domains AG has posted its annual financial statements for fiscal year 2008.

In a contract dated February 25, 2009, Sedo.com LLC acquired 100% of shares in RevenueDirect, Vancouver / USA.

As of the balance sheet date, United Internet AG was the silent partner of an option agreement (OTC) to supply certain listed securities. The option had a term until February 28, 2009 and was not exercised by the contractual partner.

50 Auditing fees

In fiscal year 2008, auditing fees totaling € 1,651k (prior year: € 1,273k) were expensed in the consolidated financial statements. These include auditing fees of € 781k (prior year: € 620k), tax consultancy services of € 327k (prior year: € 243k), and other services of € 543k (prior year: € 410k).

In addition, auditing fees for tax consultancy services and other services amounting to € 47k (prior year: € 46k) were carried in the consolidated financial statements without effect on income and capitalized as transaction costs in connection with company acquisitions.

51 Corporate Governance Code

The declaration pursuant to Sec. 161 AktG on observance of the German Corporate Governance Code has been made by the Management Board and Supervisory Board and has made available to shareholders via the internet portal of United Internet AG (www.united-internet.de) and AdLINK Internet Media AG (www.adlink.net).

Montabaur, March 16, 2009

The Management Board

Ralph Dommermuth Norbert Lang

Audit Opinion
of the Independent Auditor

We have audited the consolidated financial statements prepared by United Internet AG, Montabaur, comprising the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [„Handelsgesetzbuch“: „German Commercial Code“] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB 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 consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group 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 consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. 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 consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, March 17, 2009

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Bösser	Grote
German Public Auditor	German Public Auditor

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated 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 Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Montabaur, March 16, 2009

The Management Board

Ralph Dommermuth   Norbert Lang

Glossary

Commercial terms and abbreviations:

Cash flow
Balance of incoming and outgoing cash flows

Churn rate
Percentage of customers terminating contracts and/or changing internet service provider within a specified period

Consolidation
Annual financial statements of a group, prepared as if all group companies were dependent parts of a single unit. All financial relationships between group companies are thus eliminated.

Corporate governance
Term used to signify responsible, long-term, value-oriented management and corporate control.

Diluted
Earnings per share are termed “diluted” when not only all outstanding shares are used in the calculation, but also those theoretically convertible shares issued as part of employee stock option programs.

EBITDA
Earnings before interest, taxes, depreciation and amortization.

EBT
Earnings before taxes

Equity ratio
Shareholder’s equity as a proportion of the balance sheet total.

Free float
Proportion of share capital which is owned by many different shareholders.

Goodwill
Positive difference between market value and net assets of an acquired company.

HGB
German Commercial Code (Handelsgesetzbuch)

IFRS
= International Financial Reporting Standards. International accounting standard.

Market capitalization
Market price of a listed company. The result of share price multiplied by number of shares.

Risk management
Systematic process to identify and evaluate potential risks as well as to select and implement measures to deal with such risks.

TecDAX
Index of the Frankfurt Stock Exchange. The TecDAX is calculated from the market price of Germany’s top 30 technology shares.

Xetra
Electronic trading system of Deutsche Börse AG. The overwhelming proportion of all share trading at German stock exchanges is handled by the XETRA trading system. exchanges is handled by the Xetra trading system.

Other terms and abbreviations:

AGOF
The Arbeitsgemeinschaft Online Forschung (AGOF) [Working Group for Online Media Research] is an affiliation of the leading online marketers in Germany. By providing standardized online coverage currency and comprehensive data on online media consumption, AGOF makes the Internet a transparent and plannable advertising medium.

BITKOM
The Bundesverband Informationswirtschaft Telekommunikation und neue Medien e.V. (BITKOM) [German Association for Information Technology, Telecommunications and New Media] is the voice of the information technology, telecommunications, and new media industry in Germany.

BVDW
The Bundesverband Digitale Wirtschaft e.V. (BVDW) [German Association for the Digital Economy] represents the interests of companies in the field of interactive marketing, digital content and interactive value added.

Content
The content of a website, e.g. text, graphics or multimedia.

Customer Care
Generic term for all services with which a company cares for its customers.

Dedicated Server
A dedicated server is a server which is dedicated to a particular activity (dedicated service) or to a single customer (dedicated customer). It generally involves providing a customer with a server for his exclusive use (see also shared hosting).

Domain
Specific area of hierarchical internet name system administered by domain name server. Divided into generic top-level domains, or gTLD, (such as .com, .net, .org or .info) and country-code top-level domains, in short ccTLD (such as .de or .uk).

Downstream
Data transfer from internet server to user's PC. Opposite of upstream. Data transfer rates for DSL connections are given in Mbit/s and act as a yardstick for connection speed.

DSL
= Digital Subscriber Line. Technology for high-speed data transfer via standard copper cable networks over distances of up to about three kilometers.

DSL telephony
(also called VoIP = Voice over Internet Protocol) Technology to establish phone connections via DSL data networks.

E-commerce
= Electronic commerce. Generic term for business transactions using electronic media, such as the internet.

E-mail
= Electronic mail. Fast and cheap method of sending and receiving mail between internet users via mailboxes and data networks.

Federal Cartel Office
(Bundeskartellamt - BKartA) Higher federal authority for all antitrust issues. Its main tasks include implementing cartel bans, examining business combination requests and exercising its antitrust monitoring duties with regard to market-dominating companies.

Federal Network Agency
(German Federal Network Agency for electricity, gas, telecommunications, postal and railway networks) Higher federal authority (former Regulatory Authority for Telecommunications and Post, Reg TP). Its responsibilities include implementing cartel bans, examining business combination requests and exercising its antitrust monitoring duties with regard to market-dominating companies.

Flat rate
Lump-sum monthly fee, irrespective of usage time.

GPRS
General Packet Radio Service (GPRS) is a transmission service used in mobile telephony.

Hosting
(also webhosting) Provision of storage space via the internet. In addition to registering and operating domains and renting out web servers, hosting mainly refers to the provision of value-added internet services enabling users to work more efficiently on the internet. Shared Hosting means that several customers share a physical server, while in Dedicated Hosting one customer has exclusive access to one sever.

OKV
Under the umbrella of the BVDW (see BVDW), the Online-Vermarkterkreis (OVK) [Circle of Online Marketers] is Germany's central committee for online marketing, which the country's leading online marketers created to raise the profile of online advertising.

Page impressions
Measurement unit for the number of times an internet page (and thus its potential advertising) is viewed. Page impressions are an important basis for calculating the reach of a website.

Portal
Central internet access point or start page. Usually contains a wide range of navigation functions, content and additional services, such as e-mail.

Shared Hosting
In shared hosting, or virtual hosting, several customers share a server. Many individual customer websites are often hosted on one server. This makes webhosting offers more cost-efficient and accessible for smaller and mid-size companies.

Technical value-added services
(also value-added services)
All services above the level of basic service provision are regarded as value-added services. Technical value-added services (in contrast to content value-added services) are solutions offering the user additional functionality.

V-DSL
= Very High Speed Digital Subscriber Line. Fastest of the currently available DSL technologies enabling high data transfer rates via telephone lines. The usable transfer width sinks, however, with the length of the line

Video on Demand (VoD)
Service of an internet provider enabling subscribers to select and watch films at any time for money.

Visit
Term to describe coherent usage (visit) of a specific internet offer by a user.

White label products
Products or services offered to third parties, which may then market them under their own brand.

W-LAN
Term for wireless local network, generally offering high transmission performance and high data transfer rates. Several computers can also be linked together wirelessly and have access to a central information system, printer or scanner.

Financial calendar 2009*

March 26, 2009	Annual financial statements for fiscal year 2008
March 26, 2009	Press and analyst's conference
May 13, 2009	Quarterly Report 2009
May 26, 2009	Annual Shareholder's Meeting in Frankfurt am Main, Alte Oper
August 13 2009	6-Month Report 2009
August 13, 2009	Press and analyst's conference
November 12, 2009	9-Month Report 2009

* Updates available at www.united-internet.com in the Investor Relations section, "Calendar".

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United Internet AG ■ Annual Report 2008

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