Management Report
for the Group and Parent Company

Annual Financial Statements of the Parent Company acc. to HGB

of the Management Board
for the fiscal year 2011

Highlights 2011

Further strong acceleration in customer growth

+910,000 contracts (prior year: +610,000) to 10.67 million

Dynamic mobile internet business

+520,000 contracts to 790,000

Growth in DSL complete packages, decline in old business

+190,000 DSL complete package contracts vs. -260,000 narrowband, T- and R-DSL contracts

Stable growth in fee-based applications

+460,000 contracts, of which +280,000 abroad, to 6.59 million

Dynamic growth in ad-financed applications

+1.7 million free accounts to 28.0 million

Strong sales growth

+9.8% to over € 2.09 billion

Significant rise in EBT despite high investments in new business fields

+16.1% to € 250.6 million

Content

1 Group structure and business operations

Group structure

United Internet AG is the Group parent company of the United Internet Group. As the Group's holding company, United Internet AG focuses mainly on centralized functions such as corporate controlling and accounting, press relations, investor relations, investment management, risk management, internal audit, and HR management.

In its operating business, United Internet AG acts primarily via 1&1 Internet AG, including the latter's main subsidiaries in Germany and abroad such as 1&1 Telecom GmbH, 1&1 Mail & Media GmbH, United Internet Media AG, Fasthosts Internet Ltd., InterNetX GmbH and united-domains AG, as well as Sedo Holding AG, Sedo GmbH and affilinet GmbH, and their foreign subsidiaries.

Simplified illustration of the Group structure with significant operating subsidiaries and investments:

- **United Internet AG**
- **1&1 Internet AG (100%)**
  - 1&1 USA (100%)
  - 1&1 UK (100%)
  - 1&1 FR (100%)
  - 1&1 ES (100%)
  - 1&1 PL (100%)
  - 1&1 Mail & Media (100%)
  - 1&1 Telecom (100%)
  - Fasthosts (100%)
  - InterNetX (95.56%)
  - united-domains (85.00%)
  - United Internet Media (100%)
- **Sedo Holding AG (78.80%)**
  - Response Republic (100%)
    - Sedo DE (100%)
    - Sedo USA (100%)
  - affilinet (100%)
    - affilinet UK (100%)
    - affilinet FR (100%)
    - affilinet NL (100%)
    - affilinet ES (100%)
- **Other investments**
  - Goldbach Group (14.96%)
  - Hi-media (10.65%)
  - freenet AG (2.98%)
  - fun communications (49.00%)
  - virtual minds (48.65%)
  - ProfitBricks (30.02%)
  - EFF Nr. 1 (66.67%)
  - EFF Nr. 2 (90.00%)
  - EFF Nr. 3 (80.00%)

In addition to its operative and fully consolidated subsidiaries, United Internet holds further direct and indirect investments. These mainly consist of the equity interests held in the listed company freenet AG (United Internet shareholding: 2.98%), as well as the listed online marketing companies Goldbach Group AG, Switzerland (14.96%) and Hi-media S.A., France (10.65%), fun communications GmbH (49%), virtual minds AG (48.65%), and ProfitBricks GmbH (30.02%), as well as a number of other internet investments (45 investments in total) via the investment funds EFF No. 1 (66.67%), EFF No. 2 (90%) and EFF No. 3 (80%) operated jointly with the Samwer brothers.

Business operations

The operating business of United Internet AG is divided into the two segments / business fields “Access” and “Applications”.

The “Access” segment comprises the company’s fee-based landline and mobile access products, including the respective applications (such as home networks, online storage, telephony or entertainment). United Internet operates exclusively in Germany in this segment, where it is one of the leading providers. The company remains independent of network providers by purchasing standardized network services from various pre-service providers. These are then enhanced with end-user devices, self-developed applications and services from the company’s own “Internet Factory” in order to differentiate them from the competition. Access products are marketed by the strong brands GMX, WEB.DE and 1&1, which enable the company to offer a comprehensive range of products to a mass market while also targeting specific customer groups.

The “Applications” segment comprises United Internet’s application business – whether ad-financed or via fee-based subscriptions. These applications include home pages and e-shops, Personal Information Management applications (e-mail, to-do lists, appointments, addresses), group work, online storage and office software. The applications are developed by the company’s “Internet Factory” or in cooperation with partner firms and operated at the company’s data centers. Applications are marketed to specific target groups via the differently positioned brands GMX, WEB.DE, 1&1, united-domains, Fasthosts and InterNetX. United Internet also offers its customers performance-based advertising and sales platforms on the internet via Sedo and affilinet.

2 Economic environment

Slowdown in economic growth since summer 2011

Following strong growth in 2010 (+5.2%) and the first half of 2011, the global economy suffered a severe setback in the second half of the year. The International Monetary Fund (IMF) was repeatedly forced to downgrade its forecasts for 2011 during the course of the year. In the latest update to its World Economic Outlook in January 2012, the Fund finally recorded global growth of 3.8% for 2011 – after having forecast 4.4% before year-end.

According to the IMF's economists, the causes for the slowdown as of mid 2011 included the catastrophic earthquake in Japan, the Euro crisis, the weak US economy, and the resulting risk aversion of many investors.

Global growth in 2011 was driven mainly by the emerging and developing economies, which grew by 6.2% (after 7.3% in the previous year). Growth was much weaker in the developed economies of Europe, North America and Japan, which only managed growth of 1.6% (after 3.2% in the previous year).

At 1.6%, growth in the Euro zone was 0.3 percentage points below the prior-year figure of 1.9%. Germany continued to drive Europe's economic development: according to IMF calculations, it achieved growth of 3.0% (after 3.6% in the previous year) despite a difficult second half to the year. In contrast to the previous year, and many preceding years in which foreign trade was the main engine room for the German economy, this role was assumed by domestic demand in 2011 with a considerable increase in consumer and capital spending. Thanks to an increase in employment figures, significantly stronger consumer spending helped propel the country's economic development.

All in all, the German economy proved considerably more robust than those of many other target markets of United Internet: USA (+1.8%), Canada (+2.3%), UK (+0.9%), France (+1.6%), Spain (+0.7%).

ICT markets also return to growth

The global market for information technology, telecommunications and digital consumer electronics (ICT) grew by 3.5% in 2011. According to figures of the German ICT association BITKOM (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V.), the German ICT sector grew by 0.5% to € 148.6 billion – following growth of 3.9% in 2010. The development of the 3 ICT markets differed greatly, however: whereas the market for information technology grew by 3.1%, the telecommunications and consumer electronics (digital entertainment electronics) markets shrank by 0.7% and 6.3%, respectively.

Positive development of United Internet's growth markets

The most important ICT markets for United Internet's business model are the sub-markets "Broadband Fixed Line Connections" and "Mobile Internet" (in the purely subscription-financed Access segment), as well as "Cloud Computing" and "Online Advertising" (in the subscription- or ad-financed "Applications" segment).

Broadband fixed line connections

Due in part to the strong trend toward mobile internet usage, demand for new fixed line-based broadband connections in Germany has slowed since 2008. With growth of 1.1 million in 2011 to 27.5 million, the number of new connections fell once again – following 1.3 million in 2010, 2.3 million in 2009 and 3.1 million in 2008 – and remained well below previous record years. This trend was already calculated by the Association of Telecommunications and Value-Added Service Providers (Verband der Anbieter von Telekommunikations- und Mehrwertdiensten – VATM) and Dialog Consult in their joint TC Market Analysis 2011 published on October 27, 2011.

According to industry association BITKOM, sales of broadband internet access grew by 1.8% to €13.6 billion.

The volume of data used, however, is growing much more strongly than the total number of activated connections – as an indicator of the continued increase in usage – with growth of 22.9% to 4.3 billion GB.

Key figures for the German broadband market (fixed line)

	2010	2011	Growth
Broadband connections (in million)	26.4	27.5	4.2%
Broadband revenues (in € billion)	13.4	13.6	1.5%
Data volume (in billion GB)	3.5	4.3	22.9%

Source: BITKOM / EITO, Dialog Consult / VATM
(Broadband connections and data volumes 2011: extrapolations of Dialog Consult / VATM)

Mobile internet

The German mobile internet market displayed much more dynamic growth in 2011. According to BITKOM figures, sales of mobile data services rose by 16% to € 7.5 billion in 2011. At the same time, the data volume of the German mobile phone market – as an indicator of the growing use of mobile data services – grew by over 65% to 108 million gigabytes. A major reason for this growth is the boom in smartphones, sales of which increased by 31% to 11.8 million in 2011.

The success of portable computers has given a further boost to the mobile internet market. Tablet PCs are currently replacing netbooks as the preferred mobile end user device. With an expected volume of 2.1 million in Germany during 2011, sales of mobile computers grew by 160%. Most tablet PCs have a UMTS modem fitted as standard – enabling users to go online from virtually any location in Germany. As their screens are much larger than those of smartphones, tablet PCs are even better suited to mobile surfing, e-mail reading or data-intensive applications like video streaming.

Key figures for the German mobile internet market

	2010	2011	Growth
Smartphones (in units)	9.0	11.8	31%
Mobile internet revenues (in € billion)	6.5	7.5	15%
Data volume (in million GB)	65.4	108.0	65%

Source: BITKOM

Online advertising

The German online advertising market grew to € 5.7 billion in 2010. This was the finding of a survey on gross ad spending conducted by the Online Marketing Group (Online-Vermarkterkreis - OVK) of the German Digital Economy Association (Bundesverband Digitale Wirtschaft e.V. – BVDW). As a result, the online proportion of the media mix continued to grow and has now reached about one fifth (19.6%) of the total advertising market. Online advertising therefore remains the second strongest advertising medium after TV.

The latest OVK survey uses adjusted valuations of data provided by Nielsen for the performance segment of the classic online advertising market. As a result of these adjustments, the nominal values of gross advertising volume and growth in 2011 are slightly lower than when using the assessment method of last year's OVK forecast. According to OVK, direct comparisons using market data of the preceding years (gross advertising spend 2010 based on former assessment method: € 5.36 billion) are "thus no longer possible nor permitted".

Cloud computing

Cloud computing was once again a central topic in 2011. In the annual trend survey conducted by BITKOM, cloud computing came top for the third time in a row. This technology is no short-term trend, however, but represents a fundamental shift in the provision and use of IT services.

In 2011, revenue generated with cloud applications in Germany – according to the Experton Group – grew by almost 67% to € 1.9 billion in the B-to-B market alone. The figures indicate the dynamic potential of this market. IT users get better services for less money with cloud computing. Small and mid-size companies in particular can gain access to IT applications which previously only major corporations could afford.

Growth of cloud computing (B2B) in Germany

	2010	2011	Growth
Sales (in € billion)	1.14	1.90	67%

Source: BITKOM / Experton Group

3 Business development of the Group

Fiscal year 2011 was a successful period for United Internet. The company set new records in sales (+9.8% to € 2,094.1 million) and the number of customer contracts (+910,000 to 10.67 million). Despite considerably higher investments in customer growth, the establishment of new business fields, and further international expansion, there was also across-the-board growth in earnings figures compared to the previous year.

The Group's encouraging development was based on the strong progress of its operating segments: "Access" and "Applications".

Segment development

"Access" segment

The "Access" segment comprises United Internet's fixed line and mobile access products, including the corresponding applications (such as home networks, online storage, telephony and entertainment). United Internet operates solely in Germany in this segment, where it is one of the leading providers. The company remains independent of network providers by procuring standardized network services from various pre-service providers. These are then enhanced with end-user devices, self-developed applications and services from the company's own "Internet Factory" in order to differentiate it from the competition. Access products are marketed by the strong brands GMX, WEB.DE and 1&1, which reach a mass market while also targeting specific customer groups.

In line with the positive development of customer figures, sales of the "Access" segment grew strongly by 11.2% from € 1,230.1 million to € 1,368.0 million in fiscal year 2011. As a result, the "Access" segment accounted for 65.3% of the Group's total sales.

Despite increased investments in customer growth (+450,000 contracts in 2011 compared to +130,000 in the previous year) and the full expensing of smartphone subsidies in the company's fast growing Mobile Internet business (+520,000 contracts in 2011 compared to +180,000 in the previous year), there was strong year-on-year growth in EBITDA of 24.2% to € 152.3 million (prior year: € 122.6 million), while EBIT climbed 32.8% to € 122.2 million (prior year: € 92.0 million).

All customer acquisition costs and costs for the conversion of resale DSL connections to complete packages (ULL) continue to be charged directly as expenses. The number of employees in this segment rose by 0.8% to 1,794 (prior year: 1,780).

Development of key financial figures in the “Access” segment
in € million

	2010	2011
Sales	1,230.1	1,368.0
EBITDA	122.6	152.3
EBIT	92.0	122.2

Quarterly development of key financial figures in the “Access” segment
in € million

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q4 2010
Sales	321.2	336.0	351.0	359.8	317.1
EBITDA	31.1	34.4	43.6	43.2	20.0
EBIT	23.8	27.2	36.2	35.0	9.2

In fiscal year 2011, the number of fee-based contracts in the “Access” segment increased by 450,000 contracts to 4.08 million as of December 31, 2011. Following a decline of 100,000 contracts in 2009 (excluding the acquired freenet DSL contracts) and an increase of 130,000 contracts in 2010, this contract growth not only confirmed the segment’s successful turnaround but also accelerated the pace of growth once again.

Broken down into the individual product lines, a total of 520,000 new customer contracts were activated in the segment’s Mobile Internet business, thus raising the number of customers to 790,000. There was also growth in the important complete DSL contracts of 190,000 customers to a total of 2.51 million. In contrast to this, the number of customer contracts for those business models gradually being phased out (narrowband, T-DSL and R-DSL) continued to fall as expected in 2011 (-260,000 customer relationships).

Development of customer contracts in the “Access” segment in fiscal year 2011

	Dec. 31, 2010	Dec. 31, 2011	+ / -
Access, total	3.63 million	4.08 million	+ 450,000
of which DSL complete packages	2.32 million	2.51 million	+ 190,000
of which Mobile Internet	0.27 million	0.79 million	+ 520,000
of which narrowband / T-DSL / R-DSL	1.04 million	0.78 million	- 260,000

Development of customer contracts in the “Access” segment in Q4 2011

	Sep. 30, 2011	Dec. 31, 2011	+ / -
Access, total	3.91 million	4.08 million	+ 170,000
of which DSL complete packages	2.45 million	2.51 million	+ 60,000
of which Mobile Internet	0.61 million	0.79 million	+ 180,000
of which narrowband / T-DSL / R-DSL	0.85 million	0.78 million	- 70,000

Product highlights 2011

In its operating business, the segment’s main focus in fiscal year 2011 was placed on enhanced performance and a “money back guarantee” for its DSL products, as well as new end-user devices and new international options for Mobile Internet products:

- Cloud storage for 1&1 DSL Home Network: As of January 2011, United Internet’s 1&1 brand provides 100 GB of free online storage space for all DSL premium tariffs. Data can be archived via any computer in the customer’s home network. The files are securely stored at one of 1&1’s high-performance data centers. With the aid of a password, this Personal Cloud Storage data can not only be accessed from all PCs in the home network, but also from outside the home via the internet – as easily as using a local hard drive. Moreover, users can choose to share holiday photos with friends and acquaintances, for example, with password protection. If necessary, the storage space can also be flexibly expanded.

- 1&1 DSL now with money-back guarantee: In July 2011, 1&1 added a new quality promise to its DSL tariffs with the introduction of a money-back guarantee for its DSL Surf and Double Flat tariffs with minimum contract terms. Customers have a right of return for up to 30 days after their DSL line has been activated. Anyone truly dissatisfied only has to call 1&1 and return the router. The DSL contract is immediately terminated and any fees paid so far are reimbursed.

- International options for 1&1 Mobile: Using a mobile device to send e-mails or make phone calls while abroad often used to result in a confusing list of additional charges. As of August 2011, 1&1 now offers greater transparency for such foreign charges with the addition of international options for its mobile tariffs. The new "1&1 Foreign Surf Package" option is available for both the "1&1 Notebook Flat" and "1&1 All-Net Flat" tariffs. Within the "1&1 All-Net Flat" tariff, a 50 MB data volume option costs € 9.99. As much as 100 MB is included in the Notebook Flat tariffs for €9.99. And to make the cost of phoning abroad cheaper and clearer, 1&1

also offers an optional "1&1 Travel Option" for users of its "1&1 All-Net Flat".

Outlook 2012

Thanks to a product strategy based on transparency and flexibility, with innovative products offering excellent value for money and a variety of optional applications, United Internet sees good opportunities to enhance customer retention and achieve a further increase in average revenue per contract in its Access business. In particular, contract growth in this segment is expected to result from the migration of customers to complete DSL packages (ULL = Unbundled Local Loop) – regarded as essential for improving customer retention – as well as from the marketing of Mobile Internet products.

“Applications” segment

The “Applications” segment describes United Internet’s application business – ad-financed or via fee-based subscriptions. These applications include, for example, home pages and e-shops, Personal Information Management applications (e-mail, to-do lists, appointments, addresses), group work, online storage and office software. These applications are developed by the company’s “Internet Factory” or in cooperation with partner firms and operated at the company’s data centers. Applications are marketed to specific target groups via the differently positioned brands GMX, WEB.DE, 1&1, united-domains, Fasthosts and InterNetX. United Internet also offers its customers performance-based advertising and sales possibilities via Sedo and affilinet.

Considerable investments were made in customer growth and international expansion in the “Applications” segment during fiscal year 2011. Thanks to stable customer growth, sales of the “Applications” segment rose by 7.3% in fiscal 2011, from € 676.5 million to € 725.8 million. Adjusted for currency effects, growth amounted to 8.2%. As a result, the segment accounted for around 34.7% of total Group sales. Business outside Germany grew by 9.9% and contributed a total of € 219.2 million (prior year: € 199.5 million) to segment sales.

Key earnings figures in this segment comprise high expenditure for the development of new Cloud products, the cost of international expansion, and greatly increased marketing expenses – especially for the launch of 1&1’s Do-It-Yourself Homepage in 5 foreign markets. Start-up costs totaling € 61.1 million were expensed for these activities. In view of these burdens, there was an expected year-on-year decline in segment EBITDA of 21.2% to € 183.4 million (prior year: € 232.7 million) and in segment EBIT of 29.5% to € 125.0 million (prior year: € 177.3 million).

Customer acquisition costs in this segment also continue to be charged directly as expenses. The number of employees in this segment grew by 17.4% to 3,771 (prior year: 3,211).

Development of key financial figures in the “Applications” segment
in € million

	2010	2011
Sales	676.5	725.8
EBITDA	232.7	183.4
EBIT	177.3	125.0

Quarterly development of key financial figures in the “Applications” segment
in € million

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q4 2010
Sales	177.3	174.7	176.7	197.1	181.0
EBITDA	58.9	52.5	41.6	30.4	59.9
EBIT	46.0	39.1	27.6	12.3	44.8

The number of fee-based contracts world-wide grew by 460,000 to 6.59 million (of which +280.000 to 2.73 million abroad). This growth in contracts resulted from 370,000 new Business Application contracts and 90,000 new Consumer Application contracts, raising their respective totals to 4.67 million and 1.92 million.

In fiscal year 2011, the number of ad-financed accounts grew from 28.0 million to 30.8 million – whereby the free accounts of Mail.com (around 1.5 million) were included in reporting for the first time in September 2011.

In addition to this successful customer acquisition, United Internet continued to drive its international expansion in 2011 with the launch of fee-based products in Poland and entry into the Canadian and Argentinean markets.

Development of customer contracts in the “Applications” segment in fiscal year 2011

	Dec. 31, 2010	Dec. 31, 2011	+ / -
Total fee-based contracts	6.13 million	6.59 million	+ 460,000
of which “domestic”	3.68 million	3.86 million	+ 180,000
of which “foreign”	2.45 million	2.73 million	+ 280,000
Ad-financed accounts	28.0 million	30.8 million	+ 2,800,000

Development of customer contracts in the "Applications" segment in Q4 2011

	Sep. 30, 2011	Dec. 31, 2011	+ / -
Total fee-based contracts	6.46 million	6.59 million	+ 130,000
of which "domestic"	3.83 million	3.86 million	+ 30,000
of which "foreign"	2.63 million	2.73 million	+ 100,000
Ad-financed accounts	30.4 million	30.8 million	+ 400,000

Product highlights 2011

In fiscal year 2011, operating activities focused mainly on the expansion of sales activities for Business Applications, the launch of new Consumer Applications and business servers, and the geo-redundant operation of applications:

- 1&1 rolls out indirect sales for hosting and cloud products: United Internet's 1&1 brand aims to enhance its appeal for professional sales partners with a new marketing and support program. 1&1 plans to extend its indirect sales activities to hosting and cloud products. The 1&1 Hosting Partner concept targets professional internet service providers and aims to support the sale of websites, domains, e-shops, mail and server solutions, for example, by offering attractive services and individualized partner support. 1&1 partners include IT companies which focus on the SoHo/SMB customer segment, especially web agencies, IT service providers, smaller computer retailers and full-service internet providers. 1&1 provides these business partners with a broad spectrum of products, which not only comprises attractive commissions but also a wide range of services.

- WEB.DE mailbox becomes Online Office: The new WEB.DE Online Office is a free office solution with programs for word processing, spreadsheet calculations and presentations. WEB.DE users can thus access all common office applications via their mailbox and open, create or edit documents, presentations and tables without installing any additional software. The service supports all standard office formats, such as doc, docx, ppt and xls. Files can be easily edited – even if they were created with other office applications – without having to be downloaded. A spell-check function is available for numerous languages. WEB.DE Online Office applications can access either the local hard drives on the respective computer or the virtual WEB.DE SmartDrive. Users who store their documents online on the WEB.DE SmartDrive can securely view, save, edit and mail them from any PC with an internet connection.

- Double protection with geo-redundancy: These days, companies simply cannot afford to have a website which cannot be accessed by its customers. As the first major provider world-wide, 1&1 is now offering the double protection of geo-redundant server technology also for freelancers, the self-employed and mid-sized companies. Such location-independent redundancy was previously the exclusive domain of financially strong users, such as banks and insurance companies, as it ensures maximum availability 365 days per year. In order to guarantee such geo-redundancy, 1&1 uses so-called geo-cluster systems. All data and processes are mirrored “live” and synchronously via cloud technology at various separately located data centers. Should any unexpected problems arise at one of the sites, such as a power cut or server failure, any requests received are automatically taken over by a different data center.

- As of September 2011, 1&1 provides dedicated servers with 32 processor cores as standard. The most powerful hosting package ever offered on the mass market ensures that even users with the highest needs for computing power and reliability will find a suitable solution. The geo-redundant 1&1 data centers with a network connection of 275 GBit/s provide the perfect environment for this latest product innovation. The new flagship is the 1&1 Server XXL 32 Core, which features 64 gigabytes of ECC-RAM and a professional Raid-6 system (2.4 terabytes of usable storage space). At the heart of this high-end computer are two fast AMD Opteron 6272 processors, each with a clock speed of 2.1 gigahertz which – depending on the respective workload of their 32 processor cores – can be speeded up to 3.0 gigahertz.

Outlook 2012

With its strong and specialized brands, a steadily growing portfolio of cloud applications, and existing relations with millions of small businesses, freelancers and private users, United Internet is well positioned to utilize the opportunities offered by cloud computing. In 2012, the company intends to tap the opportunities offered by launching its Business Applications in new foreign markets (especially via the international rollout of its Do-It-Yourself Homepage). In the field of Consumer Applications, the main focus will be on entering the field of legally secure email communication with the German “De-Mail” system.

Group investments

In addition to its (fully consolidated) core operating brands in the Access and Applications segments, United Internet also holds investments in a number of other companies.

Investments in listed companies

As of December 31, 2011 United Internet holds 2.98% (prior year: 4.98%) of shares in freenet AG, Büdelsdorf, Germany. According to preliminary figures, freenet posted a strongly positive consolidated net income of € 144.0 million (prior year: € 112.5 million) in fiscal year 2011. The company's market capitalization amounted to around € 1.28 billion as of December 31, 2011.

United Internet has held an investment in Goldbach Group AG, Küsnacht-Zurich / Switzerland since 2007. As of December 31, 2011 its share of voting rights amounted to 14.96% (prior year: 14.99%). The Goldbach Group posted a positive consolidated net income of € 15.4 million in its financial year 2011 (prior year: € 10.0 million). The market capitalization of Goldbach Media amounted to around € 100 million as of December 31, 2011.

Since the transfer of the Group's Display Marketing business "AdLINK Media" to Hi-media S.A. in mid 2009, United Internet has held a 10.65% stake in Hi-media, Paris / France. According to a press release of January 25, 2012, Hi-media expects a consolidated net profit of € 10-11 million for its fiscal year 2011 (prior year: € -58.6 million). The company's market capitalization amounted to around € 98.2 million as of December 31, 2011.

Investment fund with the Samwer brothers

Together with the Samwer brothers, United Internet has been investing in funds with a variety of focus areas since mid 2007. United Internet has held a stake in the European Founders Fund GmbH & Co. Beteiligungs KG No. 1 (EFF No. 1), 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 (EFF No. 2). In a contract dated March 5, 2008, United Internet also acquired a stake in the European Founders Fund GmbH & Co. Beteiligungs KG No. 3 (EFF No. 3). This fund specializes in small percentage investments in "later-stage companies".

In fiscal year 2011, United Internet invested € 2.3 million via EFF No. 1 and € 0.4 million via the fully consolidated EFF No. 3 fund in portfolio companies. No investments were made via EFF No. 2 fund.

Proceeds from the sale of shares in portfolio companies totaled € 18.9 million in 2011.

As of December 31, 2011 a total of 45 investments in internet companies were held via the 3 funds.

Further significant investments as of December 31, 2011

United Internet has held significant stakes in fun communications GmbH (49.00%) and virtual minds AG (48.65%) for several years. Both companies posted positive earnings in the past fiscal year.

In early November 2010, United Internet acquired a 30.02% shareholding in ProfitBricks GmbH, a start-up in the field of cloud hosting. The company is currently still involved with establishing business and developing products.

Sale of Versatel investments in 2011

Sale of Versatel investment to KKR

On May 19, 2011, VictorianFibre Holding GmbH, a holding company of Kohlberg Kravis Roberts & Co. L.P. (KKR), announced its intention to make a public offer to all shareholders of Versatel. United Internet AG had previously undertaken – as had the two other major shareholders Apax and Cyrte – to sell the Versatel shares it held (11,492,000 units) to VictorianFibre Holding at a price of € 5.50 per share. The total purchase price of € 63.2 million consists of a cash component of € 3.4 million and an interest-free vendor loan of € 59.8 million, payment of which is deferred until the expiry of 17 months from completion of the transaction.

Receipt of call options

United Internet also received a call option to purchase 25.1% of shares in the holding company founded by KKR for the Versatel acquisition at the same conditions as KKR on expiry of 17 months from completion of the transaction. In addition, United Internet received a second call option for 100% of shares in the purchasing company founded by KKR for the acquisition. This option runs for a period of 17 months from completion of the transaction and can be exercised during specific exercise windows.

Proceeds of € 18.7 million

A net positive balance of € 18.7 million was recognized in EBT from the sale of Versatel shares, the recognition of call options, and the negative at-equity result of Versatel included in the consolidated figures for the last time in the second quarter of 2011.

4 Result of operations, financial position and net assets of the Group

Group earnings

Consolidated sales of United Internet AG grew by 9.8% (currency adjusted: 10.1%) in fiscal year 2011, from € 1,907.1 million in the previous year to € 2,094.1 million. Sales of the "Access" segment rose by 11.2%, from € 1,230.1 million last year to € 1,368.0 million, while sales in the "Applications" segment grew by 7.3% from € 676.5 million to € 725.8 million.

In fiscal year 2011, United Internet invested heavily in the establishment, development and marketing of new business fields, further international expansion and customer growth. As a result, annual contract growth was increased strongly again to a total of +910,000 in 2011 – following +440,000 contracts in 2009 and +610,000 in 2010.

Consolidated gross margin fell from 35.7% in the previous year to 34.3%. This was mainly due to increased purchases of pre-services in the Access segment as a result of strong customer growth (+450,000 contracts in the period under review), as well as the complete recognition of smartphone subsidies for the fast growing Mobile Internet business (+520,000 contracts in the period under review compared to +180,000 in the previous year) with a corresponding effect on earnings, and the resulting change in the overall product mix.

Due to greatly increased customer acquisition efforts, sales and marketing expenses rose from € 306.2 million (16.1% of sales) in the previous year to € 356.8 million (17.0% of sales) in the period under review. Administrative expenses increased more slowly than sales to € 102.8 million (4.9% of sales), compared to € 94.7 million (5.0% of sales) in the previous year.

Despite high investments in new business fields, international expansion and customer growth, earnings before interest, taxes, depreciation and amortization (EBITDA) improved year on year by 2.0% to € 364.8 million (prior year: € 357.7 million), while earnings before interest and taxes (EBIT) grew by 1.7% to € 276.0 million (€ 271.5 million).

Earnings before taxes (EBT) increased by 16.1% from € 215.8 million to € 250.6 million. This disproportionately strong growth was due to reduced writedowns on investments of € 6.3 million (Hi-media), compared to € 13.8 million in the previous year (Hi-media and freenet), as well as a significantly improved at-equity result following the sale of Versatel shares (€ -6.6 million compared to € -31.8 million in the previous year) and – in contrast – a worse financial result (€ -12.5 million compared to €-10.1 million in the previous year), especially due to an expected interest expense (€ 7.3 million) from the preliminary result of the tax audit for the years 2006-2008.

Consolidated net income from continued operations increased from € 127.7 million to € 162.3 million, while net income including discontinued operations rose from € 129.5 million to € 162.3 million. Earnings per share (EPS) improved by 36.2% from € 0.58 in the previous year to € 0.79 in fiscal year 2011.

These earnings figures include a positive net balance from the sale of Versatel shares in the second quarter, the valuation of call options received in this connection, and the at-equity result of Versatel. There was a resulting net effect on EBITDA and EBIT of € 23.0 million, on EBT of € 18.7 million, on consolidated profit of € 15.5 million, and on EPS of € 0.07.

Development of key financial figures for the Group
in € million

	2010	2011
Sales	1,907.1	2,094.1
EBITDA	357.7	364.8
EBIT	271.5	276.0
EBT	215.8	250.6

Quarterly development of key financial figures for the Group
in € million

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q4 2010
Sales	498.6	510.8	527.7	557.0	498.1
EBITDA	90.5	110.4	85.0	78.9	86.9
EBIT	70.3	89.7	63.6	52.4	60.9
EBT	64.8	79.4	66.0	40.4	34.2

Cash flow, investment and finance

Despite greatly accelerated customer growth from the marketing of Mobile Internet products and the Do-It-Yourself Homepage, as well as the complete expensing of the resulting costs, operative cash flow only fell moderately from € 238.1 million to € 229.2 million.

Net cash inflows from investing activities fell from € 290.4 million in the previous year to € 194.8 million in the period under review. This was mainly due to the adjusted tax payments in 2011 and the resulting reduction in tax accruals of € 30 million, as well as the suspension of direct debiting in the Access segment (around € 32 million) during the period December 22 to 31, 2011. The suspended direct debits were necessitated by changes to the technical systems of 1&1 Internet AG and were conducted in January 2012.

Net cash inflows from investing activities amounted to € 2.0 million in the period under review. This mainly comprise outlows for capital expenditures of € 54.4

million and – opposing – inflows from the sale of EFF Fund investments (€ 18.9 million), the sale of freenet shares (€ 24.8 million), and the repayment of the vendor loan by Hi-media (€ 12.2 million). In the previous year, net cash outflows for investing activities amounted to € 71.2 million. Outflows mainly comprised investments in intangible assets and property, plant and equipment amounting to € 72.4 million and € 21.4 million for the acquisition of Mail.com, while inflows were dominated by cash proceeds from the sale of investments from the EFF Fund amounting to € 30.9 million.

Net cash outflows for financing activities changed from € 240.5 million in the previous year to € 228.0 million in the period under review. The main items in fiscal year 2011 included outgoings of € 340.3 million for the purchase of treasury shares (prior year: € 118.2 million) and an outflow of € 42.0 million for the dividend payment (prior year: € 88.0 million), as well as an – opposing – net cash inflow of € 155.2 million from the assumption of loans (assumption: € 443.2 million; redemption: € 288.0 million). In the previous year, a net total of € 30.8 million was repaid (assumption: € 20.0 million; redemption: € 50.8 million).

Assets and equity

The consolidated balance sheet total fell from € 1,271.3 million as of December 31, 2010 to € 1,187.0 million on December 31, 2011.

Shares held in associated companies were reduced from € 84.1 million to € 33.6 million, mainly as a result of the sale of Versatel shares.

The decline in other non-current financial assets from € 145.3 million to € 102.6 million resulted primarily from the partial sale of freenet shares, investment sales of EFF Fund No. 3, amortized book values of the investment in the Goldbach Group, and writedowns on the book value of Hi-media.

Goodwill remained virtually unchanged at € 401.3 million (€ 402.9 million as of December 31, 2010) and resulted exclusively from the highly profitable “Applications” segment.

At € 64.9 million as of the balance sheet date, cash and cash equivalents were somewhat below the prior-year figure of € 96.1 million.

The increase in other current financial assets from € 24.7 million to € 83.3 million resulted from the valuation of options received in connection with the sale of Versatel shares to KKR, and the vendor loan.

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

Due in particular to the increased use of funds for share buybacks (€ 340.3 million), net bank liabilities rose from € 273.3 million to € 459.7 million.

Following the cancellation of 25,000,000 treasury shares and further share buybacks in fiscal year 2011, United Internet AG held 21,225,158 treasury shares as of December 31, 2011 (compared to 20,563,522 as of December 31, 2010).

The Group's equity ratio amounted to 13.0% as of December 31, 2011 (prior year: 30.1%). The decline in the equity ratio resulted mainly from the buyback of treasury shares in fiscal year 2011. In 2011, United Internet cancelled 25 million shares. This involved the derecognition of treasury stock amounting to € 303.3 million and a reduction in the items capital stock, additional paid-in capital and accumulated profit. Treasury shares held as of the balance sheet date (€ 270.8 million) were deducted from equity.

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.

5 Result of operations, financial position and net assets of the parent company

Earnings of United Internet AG

In the period under review, sales of United Internet AG amounted to € 2.7 million (prior year: € 2.9 million) and mostly comprised services and rent charged to the Group's subsidiaries.

Other operating income totaled € 18.6 million (prior year: € 0.5 million) and resulted mainly from the change in market valuation in connection with a hedging transaction (€ 1.7 million), from the sale of shares in Versatel AG (€ 3.7 million), the partial sale of shares in freenet AG (€ 4.6 million), and the write-up of shares held in freenet AG as of the balance sheet date (€ 6.6 million) due to share price increases in 2011.

The income statement of the previous year included write-downs on financial assets of € 45.7 million (mainly from writing down the carrying values of investments in freenet AG and Versatel AG).

Income from profit transfer agreements with 1&1 Internet AG and United Internet Beteiligungen GmbH amounted to € 253.7 million in the period under review. In the previous year, this income totaled € 951.3 million. The main reason for the significantly higher prior-year amount was the disclosure of hidden reserves on the level of 1&1 Internet AG, whereby additional income of € 701.7 million was recognized in 2010.

The parent company's result from ordinary activities amounted to € 256.0 million – compared to € 889.8 million in the previous year. The parent company's net income reached € 179.2 million – following € 779.5 million in the previous year. In accordance with Sec. 58 (2) Sentence 1 AktG, the Management Board of United Internet AG has transferred part of the net profit for the year (€ 75 million) to other revenue reserves.

Assets and financial position of United Internet AG

The parent company's balance sheet is mainly influenced by shares in affiliated companies amounting to € 1,105.0 million (prior year: € 405.0 million) as well as by investments of € 36.7 million (prior year: € 106.7 million).

Additions to shares in affiliated companies totaled € 700 million and resulted from a voluntary contribution to capital reserves of 1&1 Internet AG.

The reduction in investments resulted from the sale of freenet shares (€ -20.2 million), the sale of Versatel shares (€ -56.3 million) and an – opposing – write-up on the freenet shares held at year-end (€ 6.6 million).

Following the dividend payment and increased share buybacks, bank liabilities of United Internet AG increased by € 131.8 million to € 502.0 million (prior year: € 370.2 million). These bank liabilities mainly comprise a syndicated loan, of which € 430 million had been drawn as of the balance sheet date (prior year: € 220 million), and a promissory note loan of € 72 million placed in 2008 (prior year: € 150 million). The equity ratio fell from 67.8% in the previous year to 57.5% as of December 31, 2011.

Dividend

The Annual Shareholders' Meeting of United Internet AG on May 26, 2011 voted to accept the proposal of the Management Board and Supervisory Board to pay a dividend of € 0.20 per share. The total dividend payment of € 42.0 million was made on May 27, 2011.

For fiscal year 2011, the Management Board and Supervisory Board will propose a further dividend of € 0.20 per share. The Management Board and Supervisory Board will discuss this dividend proposal at the Supervisory Board meeting on March 28, 2012 (and thus after the editorial deadline for this Management Report). The Annual Shareholders' Meeting on May 31, 2012 will vote on the joint proposal of the Management Board and Supervisory Board.

6 Subsequent events

According to leading market analysts, the predominantly positive conditions for those target markets of relevance to United Internet will remain unchanged in 2012.

There were no significant events subsequent to the balance sheet date which may have resulted in a different representation of the Company's assets, financial position and earnings, or which had any impact on the Company's accounting and reporting.

7 Remuneration report

Principles of the Management Board remuneration system

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.

The fixed remuneration component is paid monthly as a salary. The size of the variable remuneration component depends on reaching certain, fixed financial targets agreed at the beginning of the fiscal year. These targets are based mainly on key sales and earnings figures. The target attainment corridor is generally between 90% to 120%. No bonus is paid below 90% of the agreed target and the bonus calculation is capped at 120% of the agreed target. There is no provision for subsequent amendment of the performance targets. No minimum payment of the variable remuneration component is guaranteed. In the case of 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 exercise hurdle of this program is 120% of the share price. Payment of value growth is capped at 100% of the calculated share price.

There are no retirement benefits from the Company to members of the Management Board. The size of the remuneration components is regularly reviewed.

Principles of the Supervisory Board remuneration system

The three members of the Supervisory Board of United Internet AG also form the supervisory board of United Internet's most important subsidiary, 1&1 Internet AG. As of fiscal year 2010, the Supervisory Board members each receive separate compensation for their work on behalf of the two companies. In each case, this compensation consists of a fixed element and a variable element which depends on the success of the respective company.

In the case of United Internet, the fixed remuneration for an ordinary member of the Supervisory Board amounts to € 10,000 per full fiscal year. The Chairman of the Supervisory Board receives twice the amount attributable to an ordinary member. The variable, performance-oriented element for each member of the Supervisory Board, including the Chairman, amounts to € 1,000 for every cent which exceeds the consolidated earnings per share (EPS) value of € 0.60 for United Internet AG, calculated according to IFRS. As of fiscal year 2013, there will be a variable long-term compensation component for each member of the Supervisory Board, including the Chairman. This will consist of an additional payment per full fiscal year of € 500 per starting percentage point by which the EPS of United Internet AG in the past fiscal year exceeds the EPS of the fiscal year completed 3 years previously. This long-term, variable compensation component is limited to a maximum of € 10,000 per member. There are no stock option plans for members of the Supervisory Board.

With regard to their activities for 1&1 Internet AG, the fixed remuneration for ordinary members of the Supervisory Board amounts to € 20,000 per full fiscal year. The Chairman of the Supervisory Board receives € 30,000. Variable, performance-oriented compensation for each member of the Supervisory Board, including the Chairman, is based on the key earnings figures of 1&1 Internet AG. Variable compensation amounts to at least € 30,000 and a maximum of € 70,000 per member.

Further information on Management Board and Supervisory Board compensation is provided in section 42 of the Notes to the Consolidated Financial Statements.

8 Personnel report

The rapidly developing internet market represents a considerable challenge for employees and thus for the HR policy of United Internet. The company meets this challenge primarily by actively nurturing our junior staff, promoting the targeted development of managers and implementing a variety of personnel development activities.

Diversity

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

United Internet's corporate culture is based on mutual respect and a positive attitude toward individual differences with regard to culture, nationality, sex, age and religion – in other words, everything that makes the company's employees unique and distinctive.

A work force composed of diverse personalities offers ideal conditions for creativity and productivity. The resulting potential for new ideas and innovation strengthens United Internet's competitive position and enhances its opportunities in future markets. In accordance with this principle, the company strives to find those positions for its employees in which they can fully exploit their individual potential and talents. In addition to productivity, diversity also helps raise the general level of satisfaction among employees. These are key reasons for many applicants to select their future employer. As United Internet's customers also have a wide variety of needs and wishes, they appreciate a business partner who can live up to their own diversity.

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

Targeted support and ongoing development

In order to give all employees at all locations and in all divisions the same opportunities, common programs and development measures have been defined in the field of personnel development. Staff can progress within their department by taking on successively more responsibility and tasks. Once employees have reached the highest competency profile for their respective function, or so-called "senior status", two alternative career models are offered: the "management track" and the "expert track". Whereas employees choosing the "management track" gradually assume more and more staff responsibility, “experts” have specialist knowledge and are top performers and “know-how owners” in their specific field, but are not given responsibility for staff. Both the management and expert tracks are “permeable”, i.e. horizontal development is also possible and an expert can become a manager and vice versa. In addition to development within a level and the next vertical step, there are thus also horizontal career possibilities within the Group, which enable staff to grow into a new role – in their own division or even across divisions. All models are accompanied by specific programs as well as individual personnel development measures.

United Internet also offers all employees an extensive range of training opportunities. In addition to seminars and courses on general – mostly soft skill – topics, staff are also encouraged to enhance their hard skills with professional training and vocational certificates specific to their particular functions. Further development programs are offered for staff with exceptional abilities and potential in all areas of the company. Such employees are then accompanied through a structured program of individual development and training plans in order to prepare them for their future personal challenges, and those of the company. With the aid of junior management programs, such as the 1&1 Graduate or Master+ plans, United Internet develops young talents fresh from university from an early stage. The main target is to be able to recruit and train future managers and specialists from within the company.

Training held in high regard

The United Internet Group also attaches great importance to the field of education and training. United Internet trains young people to meet its future needs and offers them a successful start to their professional lives. The company currently offers apprenticeships in commercial and technical professions, including IT specialist (application development/systems integration), IT systems clerk, dialogue marketing clerk, commercial clerk and media designer. Over a three-year training period, all participants experience a wide variety of different company departments and take part in numerous events and workshops. The apprentice workshops at the facilities in Karlsruhe and Montabaur have proved especially successful. Technical apprentices in particular spend part of their training period in the workshops in order to learn the basics for their later careers. In cooperation with Baden-Wuerttemberg Cooperative State University (Duale Hochschule Baden-Württemberg - DHBW) United Internet also offers degree courses in Information Management and Business Administration / Services Marketing at the universities of Karlsruhe and Mannheim.

Over 160 young people were serving their apprenticeships with Group companies at year-end 2011. After successfully passing their examinations, over 85% of apprentices are currently employed at one of the Group’s companies.

Headcount development 2011

As a result of the expansion of business, the number of employees increased once again in 2011. As of December 31, 2011, United Internet employed a total of 5,593 people – an increase of 11.5% over the previous year (5,018 employees). There were 1,794 employees in the Access segment, 3,771 in the Applications segment and 28 employed at the Group's headquarters. Headcount at the non-German subsidiaries increased from 999 people in the previous year to 1,218. Personnel expenses rose by 13.4%, from € 202.9 million in the previous year to € 230.1 million.

Headcount development

	Dec. 31, 2010	Dec. 31, 2011	Year-on-year change
Access segment	1,780	1,794	+ 0.8%
Applications segment	3,211	3,771	+ 17.4%
Headquarters	27	28	+ 3.7%
Total Group	5,018	5,593	+ 11.5%

9 Group research and development

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

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

At United Internet's development centers in Karlsruhe and Bucharest, over 1,500 developers, product managers and technical administrators use mainly open source code (Linux) in clearly defined and modeled development environments. Third-party programming services are also used to swiftly and efficiently implement specific projects. This enables the company to quickly change existing basic applications of products and adapt them to changing customer needs. United Internet also procures solutions from partners, which are then modified according to needs and integrated into its systems. With the aid of its self-developed and integrated applications, United Internet has a set of modules which can be easily combined and provided with product-specific or country-specific user interfaces in order to create a wide variety of powerful and integrated applications – a huge benefit when tailoring products to varying target groups or for international rollouts.

Due to the steady growth in customer figures, the demands placed on products with regard to reliability and availability are also constantly rising. In addition to the further development of existing products and continual optimization of back-end operations (e.g. the administration and configuration tools provided for our customers), the company also focuses on continually enhancing existing processes in order to raise reliability and customer satisfaction. For example, United Internet is permanently working on improvements to the interfaces with its various pre-service providers.

Focus areas 2011

Start of 1&1 Webdesk

The 1&1 Webdesk, an online working environment, was developed for all customers of 1&1. The product pools e-mail, office applications, online data storage (1&1 SmartDrive), administration tools (1&1 Control Center) and many more features under a single interface, providing users with central access and usage. The applications can be used online at any time and from any place. In addition to this central access to all important 1&1 applications, the 1&1 Webdesk allows users to integrate third-party programs and gradually expand the application area.

Further development of 1&1 Do-It-Yourself Homepage

In July 2010, the United Internet subsidiary 1&1 rolled out its Do-It-Yourself Homepage in Germany. In 2011, the product was continually enhanced with a number of new features, such as the ability to display on mobile devices, the implementation of social media functions, and the addition of further business templates and layouts. A dedicated Content Management System (CMS) was developed to aid the flexible handling of sector texts and images and to simplify their creation. In addition, the system was prepared for the product's international rollout. As well adapting it for further languages, the product's performance was improved to prepare it for the requirements of an even larger customer base. With the addition of the corresponding interfaces, it will be possible in future to quickly and easily integrate third-party software into the 1&1-Do-It-Yourself Homepage.

Switch to UTF-8

In a further step toward internationalization, the company's internal business systems and databases were changed from an ISO character code to the internet's most widely used character encoding system UTF-8. The system shift was necessary to correctly display special characters in other languages and thus meet the technical requirements for further international expansion. In order to ensure the smoothest possible migration, some 200 performance tests (e.g. invoicing, address change, bank data change etc.) were conducted in a controlled environment with over 8,000 test cases.

Migration of Mail.com

Following the acquisition of the US brand Mail.com in late 2010, which included both the portal and its international e-mail customers, the migration process from the former service to GMX's mail systems was completed in the first half of 2011. As part of these efforts, a multi-national portal in five languages was developed and launched. In the USA, Europe and India, the portal also includes content magazines covering a wide range of topics provided by numerous local partners. To facilitate the migration of e-mail customers, a Mail.com edition of the international GMX e-mail client was developed, which also enables a pay-to-use variant based on a subscription model which can be processed via its own billing systems.

Development of standardized operating system platform "UNITIX"

The steadily growing need for quickly available additional computer capacities, proactive system management and rising security standards motivated United Internet's R&D departments to develop the operating system (OS) platform "UNITIX". The platform will enable the company to replace the various stand-alone solutions currently in use with a central standardized OS platform and thus enhance the efficiency of IT operations and development. At its core, UNITIX is based on the established Debian GNU/LINUX with additional components (user management, deployment, life cycle management, configuration/release management). New software is linked directly with the UNITIX components via the respective interfaces and can immediately communicate with the management tools. By simplifying platforms, the company can reduce installation times and accelerate its response speed when introducing measures to raise performance.

10 Risk report

Risk management system

The risk policy of United Internet AG is based on the objective of maintaining and sustainably enhancing the company's value by utilizing opportunities while at the same time recognizing and managing risks from an early stage in their development. The risk management system of United Internet AG regulates the responsible handling of those uncertainties which are involved with economic activity. This is achieved by establishing group-wide risk management and systematically dealing with potential risks while promoting a risk-oriented approach throughout the entire organization.

The concept, organization and task of group-wide risk management are defined by the Management Board and Supervisory Board of United Internet AG and documented in a risk manual which is valid for all members of the Group. These requirements are regularly adapted to changing legal conditions and continually developed. As part of his statutory auditing obligations for the annual financial statements, the external auditor also examines whether the risk early recognition system is suitable for the early identification of risks and developments which might endanger the company. Moreover, the company's Internal Audit division is responsible for independently auditing the functionality and efficiency of the risk management processes and compliance with the regulations defined in the risk manual.

Recognizing risks at an early stage and regularly updating their status as part of the risk management process enables United Internet AG to introduce timely measures aimed at achieving its corporate objectives. In particular, this concerns the recognition of developments which might endanger the continued existence of United Internet AG or its subsidiaries. In this way, the risk management system complies with the requirements of the German Business Monitoring and Transparency Act (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich – KonTraG).

Risk management comprises those measures which enable United Internet to identify, classify, steer and monitor possible risks from an early stage. In order to support the centralized risk management system, additional local risk managers have been installed with monthly reporting in the field of Technology & Development. In order to facilitate the group-wide exchange and comparison of risk information, these local risk managers meet with the Group's central risk management team at regular Risk Manager Meetings.

The current risk status is communicated to the Management Board and Supervisory Board four times per year. Sudden important risk occurrences or significant changes in the risk situation trigger an ad-hoc reporting obligation. The respective risk is then communicated immediately to the Management Board, and where necessary by them to the Supervisory Board. In this way, significant risks can be addressed as quickly as possible. In accordance with Sec. 107 (3) AktG, the efficiency of the risk management system is checked by the Internal Audit division and the Supervisory Board.

Risks for future business development

Of the total risks identified for the Group, the following sections describe the main risk categories and individual risks.

External risks

Threat potential of the internet

United Internet AG generates its commercial success largely within the environment of the internet. In order to provide products and services, the company uses information and telecommunication technologies (data centers, transmission systems, connection nodes etc.) in its business processes which are closely networked with the internet and whose availability may be endangered by threats from the internet. For example, there is a risk of DDoS attacks (DDoS = Distributed Denial of Service), which may lead to an overloading of technical systems and server downtime. In order to deal with such risks more quickly, the existing monitoring and alarm system, together with the necessary processes and documentation, is continually optimized.

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

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

Market regulation

In the “Access” segment, the decisions of the German Federal Network Agency and Federal Cartel Office have an influence on the pricing of broadband internet access tariffs. Price increases of network providers from whom United Internet purchases pre-services for its own customers can have a negative impact on the profitability of tariffs. In the same way, there is also the possibility that a lack of regulation may lead to a deterioration of market circumstances for United Internet. United Internet attempts to counter this increasing regulation risk by cooperating with several pre-service providers and by actively participating in the activities of industry representatives, such as the Association of Telecommunications and Value-Added Service Providers (VATM).

Market / competition

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

With the launch of new Mobile Internet products in 2010, United Internet added a further access product to its product portfolio and entered a new, additional growth market with major competitors. This entrepreneurial decision involves certain new risks, which may result from the pricing of products or from fraudulent use. United Internet attempts to minimize these risks with the aid of detailed planning based on past experience and external market studies, and by continually expanding its anti-fraud measures.

Dependency on customers / business partners

The advertising budgets of advertisers are highly dependent on the economic development. In addition, advertising budgets are often awarded solely for individual campaigns. In the “Applications” segment, a considerable proportion of sales is generated in part with just a few key accounts in the advertising sector. Should these business partners limit or cancel their relations with United Internet, this would lead to a significant deterioration of the net assets, financial position and earnings of this segment.

Operating risks

Product development

A key success factor for United Internet is the development of new products and services in order to raise the number of our customer contracts and strengthen customer retention. There is always a risk, however, that new developments might be launched too late on the market or not accepted by the target group. United Internet attempts to minimize such risks by closely observing market trends and undertaking product development which constantly responds to the customer feedback. Together with the Samwer brothers, United Internet also holds equity interests in 3 investment funds (comprising 45 investments in internet and technology companies), with the aim of also profiting in future from the innovations and technologies of these companies.

Use of hardware and software

United Internet’s products and related business processes are based on a complex technical infrastructure and a number of success-critical software systems (servers, customer relationship databases and statistics systems etc.). Constantly adapting this infrastructure to changing customer needs leads to greater complexity and regular changes. In addition to major events like the migration of databases, this may lead to various disruptions or defects. Should this affect our business systems or their databases, daily account debiting for example may be delayed or no longer possible. The company meets these risks by making targeted adjustments to the architecture, introducing quality assurance measures, and establishing geo-redundant core functionalities.

For the operation of hardware and software, there is also a risk of targeted attacks from inside and outside the company, e.g. from hackers or manipulation by staff with access rights, which may result in non-availability or a deterioration of services. In order to counter this risk, the company takes a wide variety of software- and hardware-based safety precautions to protect the infrastructure and its availability. By dividing responsibilities, the company has made sure that activities or business transactions involving risks are not carried out by single employees but on the basis of the “four-eye principle”. Manual and technical access restrictions also ensure that employees may only operate within their particular area of responsibility. As an additional precautionary measure against data loss, all data are regularly backed up and stored in separate, i.e. geo-redundant, data centers.

Legal risks

Property rights / licenses

Like other internet and software suppliers, United Internet AG is also confronted with a growing number of patent infringement claims. The majority of these claims originate in the USA. There is also a risk that United Internet might use protected rights or licenses without permission or not according to their terms of use. United Internet counters this risk by expanding its license management capabilities and defends its interests and claims fiercely in all proceedings.

Data protection

United Internet stores the data of several million customers on its servers. The handling of these data is subject to a variety of legal regulations. The company is aware of this responsibility and attaches 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 and other legal regulations, the company endeavors to guarantee a high standard of security.

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

Additional disclosures on the risks, financial instruments and financial risk management of the parent company United Internet AG

The main financial liabilities incurred by the parent company for the financing of its activities include bank loans and promissory note loans, overdraft facilities 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 mainly held primary financial instruments and derivative financial instruments from interest hedging agreements.

The aim of financial risk management is to limit risks through ongoing operating and financial activities. The company is hereby exposed to certain risks with regard to its assets, liabilities and planned transactions, especially liquidity risks and 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 continually cover its financial needs and secure flexibility by using overdraft facilities and loans.

Our group-wide cash requirements and surpluses are managed centrally by our cash management system. By netting these cash requirements and surpluses within the Group, we can minimize the amount of external bank transactions. Netting is managed via our cash pooling process. The Company has established standardized processes and systems to manage its bank accounts and internal netting accounts as well as for the execution of automated payment transactions.

In addition to operating liquidity, United Internet also holds other liquidity reserves, available at short notice. These liquidity reserves consist of syndicated credit lines with varying terms.

The Company has no significant concentration of liquidity risks at present.

Risks from financial covenants

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

Market risk

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

Interest 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 its liquidity planning, the Company constantly monitors the various investment possibilities and debt conditions. Any borrowing requirements are met by using suitable instruments to manage liquidity, 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 remained largely unchanged.

Market interest rate changes might have an adverse effect on the interest result and are included in our calculation of sensitive factors affecting earnings. In order to present market risks, United Internet has developed a sensitivity analysis which shows the impact of hypothetical changes to relevant risk variables on pre-tax earnings. The reporting period effects are illustrated by applying these hypothetical changes in risk variables to the stock of financial instruments as of the balance sheet date.

In order to reduce its interest risk, the Company concluded interest hedging transactions in the past years with a total amount of € 380 million.

Currency risk
United Internet's currency risk mainly results from its operations (if revenue and/or expenses are in a currency other than the Group's functional currency) and its net investments in foreign subsidiaries. In the period under review, there were no foreign exchange risks with a significant impact on the cash flows.

Stock exchange risk (valuation risk)
A stock exchange risk mainly results from investments in listed companies. These investments are carried at cost. Should the (proportional) stock exchange value of an investment permanently lie below its acquisition cost, the Company recognizes an impairment of the financial instrument in its income statement.

Capital management

In addition to the legal provisions for stock corporations, the Company has no further obligations to maintain capital according to its statutes or other agreements. The key financial indicators used by the Company are mainly performance-oriented (sales, gross margin, EBITDA, EBIT and EBT). 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, 2011 and December 31, 2010, no changes were made to the Company's targets, methods and processes.

Tax risk from customer acquisition costs
In the course of a tax audit for the assessment periods 2002 to 2005, there were findings with regard to the income tax treatment of so-called customer acquisition costs. Due to their sales cost character, these costs were expensed when incurred. According to the tax authority, certain parts of these costs are to be deferred beyond the minimum contract terms. United Internet expects similar audit findings form the current tax audit for the 2006 to 2008 assessment periods.

In 2010, a lawsuit brought by a mobile phone operator against this opinion was rejected by the German Federal Finance Court (BFH). However, the question of whether the verdict applied retroactively to previous years was not settled. In order to settle this matter, the 1st Senate has referred the case to the Large Senate of the BFH.

United Internet has taken the verdict of the 1st Senate into account for its taxes since fiscal year 2010. Although there has still been no supreme court verdict of the Large Senate regarding the treatment of former years, United Internet has already formed corresponding tax provisions for these periods as a precaution.

Assessment of the overall level of risk

From the current perspective, 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, the use of hardware and software, market regulation, competition, and data protection. The further expansion of its risk management system enables United Internet to limit such risks to a minimum, where sensible, by implementing specific measures. There were no risks which directly jeopardized the continued existence of the United Internet Group in the fiscal year 2011, neither from individual risk positions nor from the overall risk situation.

11 Disclosures required by takeover law

The following disclosures according to Secs. 289 (4) and 315 (4) German Commercial Code (HGB) represent conditions as of the balance sheet date. As required by Sec. 176 (1) Sentence 1 AktG, the disclosures are explained in the sections below.

Composition of capital
The subscribed capital of United Internet AG as of December 31, 2011 amounts to € 215,000,000 divided into 215,000,000 no-par value, registered shares. Each share entitles the owner to one vote. There are no other share categories. In the case of a capital increase, the commencement of dividend entitlement for new shares may be determined separately from the moment of contribution.

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, Germany, owns 90,000,000 shares or 41.86% of total shares in United Internet AG as of December 31, 2011. 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 May 26, 2016 by a total of € 112,500,000.00 by issuing new no-par shares for cash and/or non-cash contributions (Authorized Capital 2011). 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 € 80,000,000.00, divided into 80,000,000 no-par shares (Conditional Capital 2010). 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 June 2, 2010 authorized the company or a subordinated Group company to issue in the period ending June 1, 2015, 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.

Powers of the Management Board to buy back shares

The authorization of the Annual Shareholders' Meeting granted on June 2, 2010 and originally limited until May 25, 2012 to acquire, sell or cancel treasury shares was cancelled by the Annual Shareholders' Meeting of May 26, 2011 with a future effect.

In accordance with Sec. 71 (1) No. 8 AktG, the Annual Shareholders' Meeting of May 26, 2011 at the same time authorized the Management Board to acquire, sell or cancel treasury shares of up to ten percent of its capital stock in the period directly following the expired authorization and ending on November 26, 2012.

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

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

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

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

Moreover, the Management Board is authorized to use the acquired treasury shares, subject to the approval of the Supervisory Board, to grant shares to members of the Management Board and other Company employees, as well as the management and employees of affiliated companies pursuant to Secs. 15 ff. AktG, should such persons be entitled to subscription on the basis of employee stock ownership plans. Insofar as treasury shares are to be transferred to members of the Company’s Management Board, the decision shall be incumbent upon the 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 acquired treasury shares in full or in part, subject to the approval of the Supervisory Board, without any further resolution of the Annual Shareholders' Meeting.

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

In addition to the authorization to purchase treasury shares, the Management Board is authorized, subject to the approval of the Supervisory Board, to acquire United Internet shares also by using equity derivatives and to sell options which oblige the Company to acquire United Internet shares upon exercise of the options (“put options”), to acquire options which give the Company the right to purchase United Internet shares upon exercise of the options (“call options”) and to acquire United Internet shares using a combination of put and call options.

All share purchases by means of equity derivatives are limited to a maximum volume of five percent of the capital stock. The term of maturity of the options must be chosen in such a way that the purchase of United Internet shares upon exercise of the options will take place no later than on November 26, 2012.

The terms and conditions of the options must ensure that the options are honored only with shares that were acquired via the stock exchange at the current stock exchange price for United Internet shares in XETRA trading at the time of purchase via the stock exchange and under observance of the principle of equal treatment. The purchase price agreed in the options to be paid per United Internet share upon exercise of the option (“strike price”) shall neither exceed the opening price of United Internet shares in XETRA trading on the day on which the respective option transaction was conducted by more than ten percent nor fall below this price by more than ten percent (in each case excluding incidental transaction charges, but taking into account option premiums received or paid).

The option premium paid by the Company for options shall not be higher, and the option premium received by the Company for options shall not be lower, than the theoretical market price of the respective options calculated in accordance with generally accepted actuarial methods. Among other factors, the agreed strike price shall be taken into account when determining the theoretical market price.

The rules and subscription right exclusions set out as part of the authorization to buy, sell or retire treasury shares also apply to the use of treasury shares acquired using equity derivatives.

12 Corporate governance declaration acc. to Sec. 289a German Commercial Code (HGB)

Management and corporate structure

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

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 Annual Shareholders' Meeting and consists of three members at present. The members of the Supervisory Board are generally elected for a period of five years. Members of the Supervisory Board should not generally be older than 70. The Supervisory Board is in regular contact with the Management Board and monitors and advises it with regard to the management of business, and the company's risk management system. The Supervisory Board meets at regular intervals to discuss with the Management Board the development of business, 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 Supervisory Board conducts regular tests to assess its own efficiency.

The Management Board is the body charged with managing the group's operations and currently consists of two persons. The Management Board conducts operations in accordance with its legal and statutory obligations as well as the rules of procedure approved by the Supervisory Board. It is responsible for preparing the quarterly and annual financial statements as well as for appointing key managers within the company. Resolutions are always adopted with a simple majority. Should the vote result in a tie, the Chairman of the Management Board has a casting vote. Decisions of fundamental importance require the approval of the Supervisory Board. The Management Board regularly informs the Chairman of the Supervisory Board. There is also an age limit of 70 for members of the Management Board.

The Annual Shareholders' Meeting is the body which formulates and expresses the interests of the shareholders of United Internet AG. At the Annual Shareholders' Meeting, the annual financial statements are presented to the shareholders. The shareholders decide on the appropriation of the balance sheet profit and vote on resolutions concerning other statutory topics. 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.

Control systems

The internal control systems support management in its monitoring and steering of the Group and its segments. The systems consists of planning, actual situation and projection calculations based on the Group’s annually revised strategic planning. Particular attention is paid to market developments, technological developments and trends, as well as their impact on the Group’s own products and services, and the Group’s financial possibilities. The corporate control system’s aim is the continual and sustainable development of United Internet and its subsidiaries.

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

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

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

The Company’s operating business is monitored and controlled primarily via the key figures: sales, gross margin, EBITDA, EBIT and EBT, as well as via a number of other significant non-financial figures, such as customer contracts, free accounts, reach/active users of our own websites and marketable third-party domains and websites.

Main features of the accounting-related internal control and risk management system

In accordance with Sec. 289 (5) and Sec. 315 (2) No. 5 German Commercial Code (HGB), United Internet AG is obliged to describe the main features of its accounting-related internal control and risk management system in its Management Report. The scope and structure, under consideration of the specific requirements for United Internet AG, are at the discretion and within the responsibility of the Management Board.

United Internet AG regards risk management as part of its internal control system, which is based on the internationally recognized COSO framework (“Internal Control – Integrated Framework”) as defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Risk assessment

United Internet AG regards risk management as a measure to detect and assess risks, reduce them to an acceptable level, and monitor recognized risks. A risk management system requires organized action to deal suitably with uncertainty and threats and urges employees to utilize the regulations and instruments required to ensure compliance with the risk management principles.

The risk management system of United Internet AG is a system with which risks can be identified and assessed, especially those business events which may jeopardize the company’s existence. In addition to operative risk management, it also includes the systematic early recognition, management and monitoring of risks. The accounting-related risk management system focuses on the risk of false statements in accounting and external reporting.

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

The Internal Audit division of United Internet AG ensures the appropriateness, effectiveness and functionality of the risk management system by means of audits as part of its monitoring duties.

Description of the internal control system

The accounting-related internal control system of United Internet AG comprises principles, procedures and measures to secure the effectiveness, economic efficiency and compliance of the accounting system and to ensure that all legal regulations are observed.

The Supervisory Board and the Internal Audit division are involved in the internal control system by means of their auditing activities.

The Internal Audit division is responsible for independently auditing the appropriateness, effectiveness and functionality of the internal control system. In order to conduct its duties, Internal Audit has been granted extensive rights with regard to information, examination and access. The audit actions of Internal Audit are based on a risk-oriented audit plan which may also include regular audits of domestic and foreign subsidiaries. In addition, Internal Audit conducts fundamental audits regarding the proper functioning of important inventory and asset stock-taking.

Clearly defined internal controls are embedded into the accounting process with the aid of risk aspects. The respective accounting-related internal control system comprises organizational, preventive and investigative controls, including IT-aided and manual coordination, ordering and payment guidelines, the functional separation of administrative, executive and approval processes, the “four-eye principle", general IT controls, e.g. access rights to IT systems, or change management and its monitoring.

With the aid of organizational, control and monitoring structures defined by United Internet AG, the internal control system enables the recognition, preparation and assessment of company-related issues and their proper representation in consolidated accounting. The Corporate Accounting division is responsible for the management of the accounting processes. Laws, accounting standards and other pronouncements are continually analyzed with regard to their relevance and effect on the annual financial statements. Employees involved in the consolidated accounting process are regularly trained. The Group companies are responsible for the orderly and timely execution of the accounting-related processes and systems and are supported by the Corporate Accounting division accordingly.

Due to their nature, the discretionary decisions of individuals, faulty controls, criminal acts, or other such circumstances cannot be fully excluded and can thus restrict the effectiveness and reliability of the internal control and risk management systems. As a result, even the group-wide application of the systems used cannot guarantee absolute security with regard to the correct, complete and timely recognition of events in corporate accounting.

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

Corporate Governance

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

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

The corporate governance of United Internet is based on the German Corporate Governance Code, which the Government Commission set up by the Federal Justice Minister in September 2001 published for the first time on February 26, 2002. The ninth and currently valid version of the German Corporate Governance Code was completed on May 26, 2010 and published by the Ministry of Justice in the electronic Federal Gazette (http://www.ebundesanzeiger.de/) on July 2, 2010.

The Code contains three types of standard:

– regulations describing currently valid legal standards in Germany,
– recommendations,
– suggestions.

German corporations are obliged to observe the legal regulations.

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

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

On March 5, 2012, the Management Board and Supervisory Board of United Internet AG submitted their current annual declaration of conformity in accordance with Sec. 161 AktG and immediately published it on the Company's website (www.united-internet.de), as well as in the electronic Federal Gazette.

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

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

United Internet AG complied with the recommendations of the German Corporate Governance Code (in the currently valid version dated May 26, 2010) with the following exceptions, and expects to comply in future with the following exceptions:

Deductibles in the case of D&O insurance policies (Codex 3.8)

Since the German Act on the Appropriateness of Management Board Compensation (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG) came into power, the German Stock Corporation Act (AktG) now requires that Management Board members accept an obligatory deductible for D&O insurance policies of at least 10% of the loss and up to at least one-and-a-half times the fixed annual compensation of the respective Management Board member (Sec. 93 AktG). Deductibles need not be agreed, however, for Supervisory Board members (Sec. 116 AktG). Beyond the scope of the AktG, the German Corporate Governance Code recommends that a similar deductible be agreed for the Supervisory Board in any D&O policy.

United Internet AG has adopted the legal requirements by amending the existing D&O insurance policies as of January 1, 2010 and has agreed its first deductible for members of the Management Board. No deductible was agreed for the Supervisory Board. United Internet does not generally believe that the motivation and responsibility with which the members of United Internet's

Supervisory Board conduct their duties will be affected by such a deductible.

Committees (Code 5.3)

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 and 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. In addition, the German Corporate Governance Code recommends that the Supervisory Board form a Nomination Committee composed exclusively of shareholder representatives, which proposes suitable candidates to the Supervisory Board for recommendation to 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.

Composition of the Supervisory Board (Code section 5.4.1)

The German Corporate Governance Code recommends that the Supervisory Board specifies concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, an age limit to be specified for the members of the Supervisory Board and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation. Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account. The objectives of the Supervisory Board and the status of their implementation shall be published in the Corporate Governance Report.

The current members of the Supervisory Board have been 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 2014. As specific candidate proposals for the Supervisory Board do not have to be made until its scheduled re-election at the Annual Shareholders' Meeting in 2015, it does not appear appropriate to already formulate concrete objectives today without knowing the possible changes in the regulatory environment or the company’s market conditions. The Supervisory Board will carefully monitor developments and make a timely decision before the scheduled re-election of the Supervisory Board regarding the Code’s recommendations on concrete objectives and their implementation as part of the Supervisory Board’s proposals to the Annual Shareholders' Meeting and reporting.

Compensation of Supervisory Board members (Code 5.4.6)

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 of committees.

As long as the Supervisory Board consists of no more than three members and no committees are formed, United Internet only separately considers the Chair position in the Supervisory Board.

Publication of reports (Code 7.1.2)

The German Corporate Governance Code recommends that interim reports are to be publicly accessible within 45 days of the end of the reporting period.

Due to organizational, internal reasons, United Internet published its interim report for the first six months of 2011 on August 16, 2011. As already announced in its Financial Calendar 2012, United Internet will publish its interim report for the first nine months of 2012 on November 22, 2012.

Compliance

Taking a balanced and sustainable approach to economic, social and ecological activities is an indispensible element of United Internet's corporate culture. This includes open and fair communication with our employees, business partners, shareholders and the public as well as acting correspondingly. As a service company, United Internet's impeccable behavior is vital for gaining and retaining the trust of customers and business associates.

In order to guarantee uniform and exemplary behavior, the Management Board has developed ethical guidelines which apply to the overwhelming majority of the Group's companies as a binding Code of Behavior. This Code contains management guidelines and should encourage each employee to take responsibility for their own behavior and provide suitable orientation. It also specifies how the Company understands its role and values, and serves as a model for the Management Board, senior executives, managers and all employees in the same way.

In the interest of all employees and the company, action is taken against all infringements and the respective causes are removed as far as possible. This also involves strictly pursuing misconduct within the framework of the applicable internal guidelines, the relevant legal regulations and other rules. The Company's Management Board has therefore established corresponding processes which ensure compliance and safeguard the above mentioned values while firmly anchoring them in the organization.

13 Dependent company report

In compliance with Sec. 312 (1) AktG, the Management Board declares that the Company received adequate compensation (quid pro quo) for all legal transactions and measures listed in the report on relations with affiliated companies, in accordance with the circumstances known at the time when such transactions or measures were carried out, or the measure involved was executed or omitted, and that the Company was not disadvantaged by such measures being executed or omitted.

14 Forecast report

Expectations for the economy

IMF downgrades its 2012 and 2013 forecasts

In its updated global economic outlook published in January 2012, the International Monetary Fund (IMF) – and before it the World Bank – downgraded its forecasts for global economic growth. Due in particular to the sovereign debt crisis in Europe, the IMF now expects global growth of 3.3% in 2012 and 3.9% in 2013 – 0.7 and 0.6 percentage points below its forecast of September 2011.

In the case of the EU nations and the Euro zone itself, both the IMF and EU Commission are now predicting a brief recession. This is due in particular to the 2012 forecasts of stagnation or decline among the Euro zone heavyweights Spain (-1.7%), Italy (-2.2%) and France (+0.2%). As a result, the IMF believes that the economy of the 17 states belonging to the Euro zone as a whole will shrink by 0.5% in 2012. The IMF experts are also very cautious about the prospects for 2013, with a growth forecast of 0.8%.

According to the IMF, Germany is expected to escape a recession in 2012 and 2013 as a whole. The IMF forecasts growth of 0.3% in the current year and then 1.5% for 2013. The IMF projections for 2012 are below those of the German government, which forecasts growth of 0.7% in its Annual Economic Report for 2012 – following 3.0% in 2011. The government states the uncertainty of the capital markets regarding the Euro zone debt and the lack of competitiveness of certain Euro states as the main causes for the slowdown. In 2013, the German government expects renewed growth of 1.6%.

Market / sector expectations

Further growth expected for ICT sector

Further international and national growth is forecast for IT and telecommunications companies in 2012: according to the German industry association BITKOM, the global ICT market will grow by 4.3% to € 2.7 trillion in 2012. Growth is expected to be particularly strong in the categories “Mobile Phones and Smartphones” and “Software”, with increases of 9.5% and 5.8%, respectively. Based on the calculations of BITKOM’s own research institute EITO, these figures were announced in the run-up to the CeBIT 2012 fair.

BITKOM expects the ICT market in the EU to grow by 1.8% to € 677 billion in 2012. Within the EU, the categories “Software” and “Telecommunication Devices and Infrastructure” are expected to grow fastest – by 4.6% and 4.4%, respectively.

The German market for IT, telecommunications and digital entertainment electronics is expected to pass the € 150-billion-mark for the first time in 2012. BITKOM anticipates growth of 1.6% to € 151 billion. The IT sector is likely to lead the overall market with growth of 3.1% to € 72.4 billion. Following a difficult year in 2011, the telecommunications sector is due to grow again in 2012 – by 0.6% to € 66.1 billion. Thanks to major sports events like the soccer European Championships, which regularly boost TV sales, the situation in the entertainment electronics market is likely to become increasingly stable and shrink by just 0.9% to € 12.5 billion.

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

Growth in German broadband market primarily qualitative

In view of the comparatively high level of household coverage of almost 70% already achieved – and the trend toward mobile internet – experts continue to forecast only moderate growth for the German broadband market (fixed line-based). The sector association BITKOM, for example, forecasts revenue growth of 2.2% to € 13.9 billion in 2012 for broadband internet connections.

Revenue growth for broadband internet connections (fixed-line) in Germany

	2011	2012e	Growth
Sales (in € billion)	13.6	13.9	2.2%

Source: BITKOM

Dynamic growth in German mobile internet market

All experts continue to predict dynamic growth for the mobile internet market. Following market growth of 16.0% to € 7.5 billion in 2011, BITKOM also expects growth of 12.0% to € 8.4 billion in 2012. This growth will be driven above all by low – and thus for the consumer attractive – prices, as well as by the boom in smartphones and tablet PCs, as well as their respective applications (or apps). BITKOM forecasts sales growth of 35% to 15.9 million sold smartphones in 2012 (following 11.8 million in 2011), as well as increased sales of 29% to 2.7 million sold tablets.

Revenue growth for mobile internet market in Germany

	2011	2012e	Growth
Sales (in € billion)	7.5	8.4	12.0%

Source: BITKOM

Megatrend cloud computing

For many experts and the press in general, cloud computing is currently the most hyped topic in the business. In a survey published in June 2010, IDC (International Data Corporation) forecasts that the cloud market will triple in volume from 2009 to 2013 to a total of USD 44.9 billion. Based on a study of the Experton Group, the sector association BITKOM expects consumer and business cloud sales in Germany to grow by around 47% to € 5.3 billion in 2012 and reach € 17.1 billion by 2016. Average annual growth of 37% is predicted.

Revenue growth for cloud computing in Germany (B2B and B2C)

	2011	2012e	Growth
Sales (in € billion)	3.6	5.3	47.2%

Source: BITKOM

Moderate growth in German online advertising market

Online advertising activities continued to be dominated by a strong willingness to invest in 2011. As a result, the internet was able to maintain its position as the second most important medium in the media mix. In view of the difficult economic environment and the uncertain development of the Euro crisis, the Online Marketing Group (Online-Vermarkterkreis - OVK) forecasts moderate growth for 2012 of up to 11%.

Growth of German online advertising market

	2011	2012e	Growth
Gross advertising spend in € billion	5.7	6.3	11%

Source: BVDW / OVK

Expectations for the company

Opportunities for United Internet

Despite the uncertain economic conditions, United Internet and many of the leading sector analysts anticipate a positive development of those sub-markets of importance to the company.

United Internet is already market leader or among the market leaders in these sub-markets. The company intends to defend these leading positions and – where possible – to expand them in the coming years.

With its highly competitive Access products, its growing portfolio of cloud applications, its powerful and specialized brands, and existing business relationships with millions of private and commercial clients in Germany and abroad (over 40 million customer accounts), United Internet is well placed to benefit strongly from the expected market growth in its two segments.

In its “Access” segment, the company aims to enhance customer retention via further migration to complete DSL packages (ULL), more personalized service and more transparent and flexible products. Moreover, average revenue per contract is to be raised with the aid of integrated additional features and new applications aimed at generating further growth. Above all, contract and revenue growth in this segment will be driven by the further successful marketing of mobile internet products.

In the “Applications” segment, United Internet’s Business Applications will focus on new (also higher-priced) applications which will open up increased business opportunities on the internet for customers and help them digitize their processes. In a first step, the company aims to exploit the opportunities offered by foreign markets with the international rollout of its Do-It-Yourself Homepage. In the field of Consumer Applications, United Internet believes that an increasingly wide range of products will enable it to convert ever more ad-financed users (over 30 million) into paying customers. In the second half of 2012, the company will focus on its entry into the field of legally secure e-mail communication with the aid of De-Mail.

Forecasts for 2012 and 2013

United Internet AG will continue to pursue its policy of sustainable growth in fiscal year 2012.

United Internet expects an increase in sales of approx. 15% and strong growth in earnings in 2012. The company intends to use this growth in earnings for heavy investment in new business fields. United Internet’s investments will focus mainly on its market entry in Italy, a year-long international marketing campaign for the 1&1 Do-It-Yourself Homepage in 7 European nations and the USA, and the development and launch of De-Mail applications. The size of the investment will be based on market and customer developments in the respective target countries. Depending on the amount of the actual investments made, United Internet expects EBIT-effective start-up losses of € 86 - € 124 million in its new business fields (prior year: € 61.1 million). In addition to growth of approx. 900,000 customer contracts in its established business fields, the company believes that these investments will enable it to gain an additional 200,000 – 300,000 customer contracts for its 1&1 Do-It-Yourself Homepage. Depending on the actually incurred start-up losses in new business fields, consolidated EBIT in 2012 is expected to reach € 243 – € 281 million (prior year without Versatel effect: € 253.0 million). This corresponds to an EPS result of € 0.80 – € 0.90.

Based on strong customer growth in 2012, United Internet anticipates a significant improvement in earnings in 2013 – both in its established and in its new business fields. EPS is expected to then lie between € 1.00 and € 1.10.

Forward-looking statements

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

Montabaur, March 21, 2012

The Management Board

United Internet AG,
Montabaur

Annual Financial Statements of the Parent Company
acc. to HGB

as at
December 31, 2011

United Internet AG - Balance Sheet acc. to HGB

as of December 31, 2011 in €k

A S S E T S	December 31, 2011	December 31, 2010
FIXED ASSETS		
Intangible assets		
Concessions, industrial and similar rights and assets as well as licenses in such rights and assets	5	15
	5	15
Property, plant and equipment		
Other equipment, operational and office equipment	162	238
	162	238
Financial assets		
Shares in affiliated companies	1,104,999	404,999
Loans to affiliated companies	1,750	1,750
Investments	36,737	106,681
	1,143,653	513,683
CURRENT ASSETS		
Accounts receivable and other assets		
Receivables due from affiliated companies	164,464	913,614
Receivables due from companies in which an investment is held	0	3
Other assets	57,533	17
	221,997	913,634
Cash in hand and bank balances	11,152	26,810
	233,149	940,444
PREPAID EXPENSES	40	40
	1,376,842	1,454,167

E Q U I T Y A N D L I A B I L I T I E S	December 31, 2011	December 31, 2010
EQUITY		
Capital stock	193,775	219,436
Capital reserves	95,977	70,977
Revenue reserves		
Other revenue reserves	46,075	276,620
Retained earnings	455,739	418,578
	791,566	985,611
ACCRUALS		
Accrued taxes	18,815	38,008
Other accrued liabilities	23,554	21,151
	42,369	59,159
Liabilities due to banks	502,000	370,166
Trade accounts payable	235	58
Liabilities due to affiliated companies	36,252	19,613
Liabilities due to companies in which an investment is held	715	797
Other liabilities	3,705	2,548
	542,907	393,182
DEFERRED TAX LIABILITIES	0	16,215
	1,376,842	1,454,167

United Internet AG - Income Statement acc. to HGB

from January 1, 2011 to December 31, 2011 in €k

	2011 January - December	2010 January - December
Sales	2,727	2,904
Other operating income	18,602	504
Cost of materials		
Cost of purchased services	-1,745	-1,973
Personnel expenses		
a. Wages and salaries	-2,561	-3,155
b. Social security contributions	-198	-190
Amortization and depreciation of intangible assets and property, plant and equipment	-97	-99
Other operating expenses	-5,026	-5,407
Income from profit transfer agreements	253,693	951,270
Income from investments	5,100	1,275
Other interest and similar income	12,172	3,238
Amortization and depreciation of financial assets and securities	-1	-45,673
Interest and similar expenses	-26,636	-12,915
Result from ordinary operations	256,030	889,779
Taxes on income	-75,685	-110,491
Other taxes	-1,184	184
Net profit for the year	179,161	779,472
Profit carried forward	376,578	3,834
Cancellation of shares	-25,000	0
Drawing from reserve for treasury stock	0	10,272
Transfer to other revenue reserves	-75,000	-375,000
Income from capital reduction	25,000	0
Transfer to capital reserves acc. to the regulations governing simplified capital reduction	-25,000	0
Balance sheet profit	455,739	418,578

UNITED INTERNET AG, MONTABAUR

Notes to the Financial Statements for Fiscal Year 2011

GENERAL PROVISIONS

The annual financial statements for fiscal year 2011 were prepared in accordance with Sections 242 ff. and Sections 264 ff. German Commercial Code (HGB), as well as with the respective provisions of the German Stock Corporation Law (AktG).

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

The annual financial statements are based on the provisions of the German Commercial Code and Stock Corporation Act, as amended.

The income statement is prepared according to the cost summary method.

Reference is made to the fact that consolidated financial statements have been prepared according to International Financial Reporting Standards (IFRS) to comply with the listing requirements for the Prime Standard segment of the Frankfurt Stock Exchange and have been disclosed in accordance with Sec. 325 HGB with reference to Sec. 315 a HGB.

INFORMATION ABOUT THE COMPANY

The business activities of United Internet AG go back to "Eins & Eins EDV Marketing GmbH", which was founded by Mr. Ralph Dommermuth and two other shareholders in 1988. The name of this marketing company was changed to "1&1 EDV Marketing GmbH", before being finally renamed as "1&1 Holding GmbH" in 1993.

United Internet AG was founded on January 29, 1998 as a new holding company for the 1&1 Group, with the name 1&1 Aktiengesellschaft & Co. Kommanditgesellschaft auf Aktien, a partnership limited by shares. The company was entered into the commercial register at the Local Court of Montabaur against HRB 5762 on February 16, 1998; 1&1 Holding GmbH was then merged into the company with effect from January 1, 1998.

On March 20, 1998 the company's shares were admitted to the regulated market with a listing in the Neuer Markt segment of the Frankfurt Stock Exchange. The shares were traded for the first time on March 23, 1998.

The extraordinary shareholders' meeting on February 22, 2000 adopted a resolution to change the name of the company to United Internet Aktiengesellschaft & Co. KGaA. The new name was entered in the commercial register on February 23, 2000.

The change of legal form to a stock corporation by the name of United Internet AG, also decided on February 22, 2000, was entered in the commercial register on March 23, 2000.

PURPOSE OF THE COMPANY

The purpose of the company is to provide marketing, selling and other services, especially in the fields of telecommunications, information technology, including the Internet, and data processing or related areas. The company's purpose also includes the acquisition, holding and management of investments in other companies, especially those operative in the aforementioned business segments. The company is entitled to bring companies in which it holds an investment under its common control and may restrict itself to the management or administration of its investments.

The company is authorized to acquire or hold investments in all types of companies in Germany and other countries and to transact all business that is conducive to its purpose. The company is also authorized to conduct its business through subsidiaries, associated companies and joint ventures. It may outsource or transfer all or part of its operations to affiliated companies.

MANAGEMENT AND REPRESENTATION OF THE COMPANY

The company's Management Board manages and represents the company. According to its by-laws, the Management Board has one or more members, the number of which is determined by the Supervisory Board. If the Management Board has only one member, the company is represented by this person. If it has more than one member, the company is represented by two members of the Management Board or by one member of the Management Board collectively with a person holding power of attorney; however, the Supervisory Board may authorize particular members of the Management Board to represent the company on their own.

NOTES TO BALANCE SHEET ITEMS

All figures are in euro (€), thousand euro (€k) or million euro (€m).

ACCOUNTING AND VALUATION METHODS

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

Intangible assets acquired for consideration are carried at cost and, insofar as their value diminishes, amortized in scheduled amounts according to their expected useful life.

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

Operational equipment is usually depreciated over 4 to 5 years. Leasehold improvements are generally written off over a period of 10 years or the shorter lease period. The normal useful life of office furniture and equipment is 8 to 13 years, that of the vehicles is 6 years.

Shares and securities disclosed under **financial assets** are reported at the lower of cost or market value, while loans are always stated at their nominal value.

Receivables and other assets are stated at nominal value. All risk-bearing items, which are significant in terms of amount, are covered by reasonable allowances.

Tax accruals and **other accruals** consider all contingent liabilities, recognizable risks, and impending losses. They are carried at the settlement amount computed in accordance with prudent commercial practice (i.e. including future cost and price increases). Accruals with a remaining term of more than one year are discounted.

Liabilities are stated at their settlement amount.

For the calculation of **deferred taxes** due to temporary or quasi-permanent differences between the commercial law valuation of assets, liabilities and prepaid expenses and their tax valuation, or due to tax loss carryforwards, the amounts of the resulting tax burden or relief are measured using the company’s individual tax rates at the point in time when the differences reverse and are not discounted. Deferred tax assets and liabilities are offset and disclosed up to a net amount of zero on the liabilities side.

Assets and liabilities denominated in foreign currencies are translated at the average spot rate on the balance sheet date. In the case of remaining terms of over one year, the realization principle (Sec. 252 (1) No. 4 Half-sentence 2 HGB) and the acquisition cost principle (Sec. 253 (1) Sentence 1 HGB) are applied.

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

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

FIXED ASSETS

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

Intangible assets and property, plant and equipment

Investments in this area mainly concern vehicles.

Financial assets

Information on the equity situation and results of operations of the affiliated companies and associated companies, stating the respective shareholding, is included in the list of shareholdings (exhibit 2 of the notes).

Additions to shares in affiliated companies amount to € 700,000k and result from a voluntary payment to the capital reserves of 1&1 Internet AG.

The (net) disposals from investments amount to € 76,544k. Of this total, an amount of € 56,311k results from the sale of shares in Versatel AG, while the remaining € 20,233k results from the partial sale of shares in freenet AG.

On May 19, 2011, VictorianFibre Holding GmbH, a holding company of Kohlberg Kravis Roberts & Co. L.P. (KKR), announced its intention to make a public offer to all shareholders of Versatel. United Internet AG had previously undertaken – as had the two other major shareholders Apax and Cyrte – to sell the Versatel shares it held (11,492,000 units) to KKR at a price of € 5.50 per share. The corresponding contracts were signed on May 19, 2011. The total purchase price of € 63,206k consists of a cash component of € 3,385k and an interest-free vendor loan of € 59,821k, payment of which is deferred until the expiry of 17 months from completion of the transaction.

As part of this transaction, United Internet received a call option to purchase 25.1% of shares in the holding company founded by KKR for the Versatel acquisition at the same conditions as KKR on expiry of 17 months from completion of the transaction. In addition, United Internet received a second call option for 100% of shares in the purchasing company founded by KKR for the acquisition. This option runs for a period of 17 months from completion of the transaction and can be exercised during specific exercise windows. Reference is made to the explanations on derivative financial instruments below.

On December 5, 2011, a total of 2,561,220 shares in freenet AG were sold. The sales proceeds amounted to € 24,972k, corresponding to € 9.75 per share. Following the sale, United Internet AG still holds 3,814,371 shares or 2.98% of the capital stock of freenet AG. The remaining shares in freenet AG were written up to a total of € 6,601k corresponding to their original acquisition cost of € 9.63 per share.

CURRENT ASSETS

Receivables and other assets

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

	12/31/2011	12/31/2011			12/31/2010
		Remaining term			
	Total	up to 1 year	1 to 5 years	over 5 years	Total *
Accounts receivable from affiliated companies	164,464	164,464			913,614
Accounts receivable from companies in which an investment is held	0	0			3
Other assets	57,533	57,533			17
	221,997	**221,997**	**0**	**0**	**913,634**

* All remaining terms up to 1 year

Receivables from affiliated companies mainly comprise receivables due from 1&1 Internet AG (€ 164,455k). Receivables result primarily from profit and loss transfer agreements (€ 56,601k), balances of the United Internet Group’s internal cash management system (€ 106,895k), and receivables from service relationships with Group companies (€ 968k).

Other assets comprise an amount of € 57,520k from the interest-free vendor loan granted in connection with the sale of shares in Versatel AG. Due to the interest-free deferral, there was a discounting effect of € 2,301k to be deducted from the total receivable.

EQUITY

The company has the legal form of a stock corporation (“Aktiengesellschaft”).

Capital stock and shares

As at the balance sheet date, the fully paid-in capital stock amounts to € 215,000,000.00 divided into 215,000,000 registered no-par shares having a theoretical share in the capital stock of € 1.00 each. As of December 31, 2011 the company held 21,225,158 treasury shares, which in accordance with Sec. 272 (1)a HGB are deducted from capital stock on the face of the balance sheet.

Approved capital

The company’s Management Board is authorized, subject to the approval of the Supervisory Board, to increase the capital stock by a maximum of € 112,500,000.00 in the period ending May 25, 2016 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 € 80,000,000.00, divided into 80,000,000 no-par registered shares (Conditional Capital 2010). 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 June 2, 2010 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.

The conditional capital increase will only be executed to the extent that the bearers exercise their warrant or conversion rights from the aforementioned bonds or to the extent that conversion obligations from such bonds are fulfilled and the company does not service warrant or conversion rights from its stock of treasury shares or from approved capital. The shares will participate in profits from the beginning of the fiscal year in which they are created by exercising the conversion or option rights. The Management Board is authorized to set the further details regarding the execution of the conditional capital increase.

Authorization of Annual Shareholders' Meeting to acquire treasury shares

Pursuant to Sec. 71 (1) No. 8 AktG, the company is entitled to acquire treasury shares until November 26, 2012 up to a limit of ten percent of capital stock. The purchase price may be no lower than ten percent of the share's market price, nor higher than ten percent above its market price. As of the balance sheet date 21,225,158 treasury shares were held.

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

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

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

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

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

Total shareholders' equity developed as follows (€):

Capital stock		
- Capital stock as of December 31, 2010		240,000,000.00
- Capital reduction from the cancellation of treasury shares		-25,000,000.00
- Capital stock as of December 31, 2011		215,000,000.00
- Open disclosure of treasury shares acc. to Sec. 272 (1)a HGB - December 31, 2010	-20,563,522.00	
- Purchase of treasury shares	-26,236,478.00	
- Issue of treasury shares	574,842.00	
- Cancellation of treasury shares	25,000,000.00	
- Open disclosure of treasury shares acc. to Sec. 272 (1)a HGB - December 31, 2011		-21,225,158.00
- Balance as of December 31, 2011		**193,774,842.00**
Capital reserves		
- Balance as of December 31, 2010		70,976,677.74
- Transfer to capital reserves acc. to the regulations governing simplified capital reduction pursuant to Sec. 237 (5) AktG		25,000,000.00
- Balance as of December 31, 2011		**95,976,677.74**
Other revenue reserves		
- Balance as of December 31, 2010		276,619,478.29
- Transfer to other revenue reserves		75,000,000.00
- Offsetting of difference from treasury stock		-312,812,300.79
- Transfer to other revenue reserves (employee stock ownership plan)		7,267,674.42
- Balance as of December 31, 2011		**46,074,851.92**
Balance sheet profit		
- Balance as of December 31, 2010		418,578,113.32
- Dividend payment		-42,000,000.00
- Net profit for the year		179,160,686.12
- Transfer to other revenue reserves		-75,000,000.00
- Cancellation of treasury shares		-25,000,000.00
- Income from capital reduction acc. to Sec. 240 S. 1 AktG		25,000,000.00
- Transfer to capital reserves acc. to the regulations governing simplified capital reduction pursuant to Sec. 237 (5) AktG		-25,000,000.00
- Balance as of December 31, 2011		**455,738,799.44**
Total shareholders' equity		**791,565,171.10**

Due to the application of the regulations pursuant to the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz - BilMoG), treasury shares held at the time of conversion on January 1, 2010 are derecognized pursuant to Sec. 272 (1)a HGB and deducted from subscribed capital at their nominal amount and deducted from reserves for treasury stock in the amount of the difference (carrying amount less nominal amount). The nominal amount of treasury shares was deducted from subscribed capital on the face of the balance sheet. The reserves for treasury stock were cancelled by the same amount and transferred to the balance sheet profit. As of fiscal year 2010, treasury shares are treated in the same way as a capital reduction. The nominal amount was deducted from subscribed capital on the face of the balance sheet, the difference was offset with other revenue reserves. The nominal value of shares held on the balance sheet date December 31, 2011, amounting to € 21,225,158.00 was therefore deducted from capital stock and disclosed in a sub-column on the face of the balance sheet.

In accordance with Sec. 58 (2) Sentence 1 AktG, the Management Board of United Internet AG resolved to transfer a partial amount of the annual net income of € 75,000k to other revenue reserves. Following the purchase of treasury shares in fiscal year 2011, revenue reserves fell by € 312,812k. Due to the issue of employee stocks, the difference of € 7,268k was transferred to other revenue reserves.

Following allocation to other revenue reserves, the balance sheet profit as of the balance sheet date amounts to € 455,738,799.44. The balance sheet profit contains a carryforward from the previous year amounting to € 418,578,113.32. This amount was reduced under consideration of the dividend paid in fiscal year 2011 and the capital reduction from the cancellation of treasury shares to € 351,578,113.32.

The Management Board and Supervisory Board will discuss their dividend proposal for fiscal year 2011 at the Supervisory Board meeting on March 27/28, 2012. According to Sec. 21 of the by-laws of United Internet AG, the Annual Shareholders' Meeting decides on the appropriation of the balance sheet profit.

Pursuant to Sec. 71b AktG, the company does not accrue any rights from treasury shares and thus has no pro-rated dividend rights.

Treasury shares

As of December 31, 2010 the company held 20,563,522 treasury shares, representing 8.57% of the capital stock of 240,000,000 shares. Up to February 18, 2011 a further 3,436,478 treasury shares were purchased, so that the company held 24,000,000 treasury shares or 10.0% of capital stock..

Based on the authorization granted by the Annual Shareholders' Meeting of United Internet AG on June 2, 2010 regarding the acquisition and use of treasury shares, and with the approval of the Supervisory Board, the Executive Board resolved on February 22, 2011 to cancel a total of 15,000,000 shares from the company’s stock of treasury shares, purchased in the course of share buyback programs, and to reduce the company’s capital stock by €15,000,000.00, from € 240,000,000.00 to

€ 225,000,000.00. In execution of this resolution, 15,000,000 registered no-par value shares with a notional share of capital stock of 1 euro each were cancelled.

The Management Board of United Internet AG resolved on the same date to launch a further share buyback program, which began once the cancellation and capital reduction became effective. In the course of this new share buyback program, a further 6,000,000 company shares were bought back via the stock exchange in the period up to May 12, 2011. The buyback followed an authorization of the Annual Shareholders' Meeting of June 2, 2010 to buy back shares representing up to 10% of the company's capital stock. The authorization was issued for the period up to November 26, 2012.

The Annual Shareholders' Meeting of May 26, 2011 revoked the former authorization of June 2, 2010 to acquire and sell treasury shares on expiry of May 26, 2011 with effect in future.

Based on the authorization granted by the Annual Shareholders' Meeting of United Internet AG on May 26, 2011 regarding the acquisition and use of treasury shares, and with the approval of the Supervisory Board, the Executive Board resolved on August 15, 2011 to cancel a total of 10,000,000 shares from the company’s stock of treasury shares, purchased in the course of share buyback programs, and thus reduce the company’s capital stock by € 10,000,000.00, from € 225,000,000.00 to € 215,000,000.00. In execution of this resolution, 10,000,000 registered no-par value shares with a notional share of capital stock of € 1 each were cancelled.

Based on the authorization granted by the Annual Shareholders' Meeting of United Internet AG on May 26, 2011 to buy back and sell treasury shares representing up to 10% of the company's capital stock in the period up to November 26, 2012, a total of 16,800,000 shares of the Company were bought back through the stock exchange in fiscal year 2011.

The acquired treasury shares can be used for all purposes stated in the authorization of the Annual Shareholders' Meeting of May 26, 2011, in particular for current and future employee stock ownership plans and/or as an acquisition currency, but may also be cancelled.

On the basis of existing stock ownership plans, two tranches of 305,616 and 269,226 treasury were issued to staff throughout the Group in fiscal year 2011.

As of December 31, 2011, the Company therefore held 21,225,158 treasury shares or 9.87% of the current capital stock. The average purchase cost per share amounted to € 12.46.

ACCRUALS

Accrued taxes of € 6,259k refer to corporation tax, the solidarity surcharge and trade tax for fiscal 2011. Accrued taxes for previous years, from the tax audit for the years 2002 to 2005 and tax accruals for foreseeable risks from the current tax audit for the years 2006 to 2008, amount to € 12,556k.

Other accrued liabilities contain appropriate accruals formed for all foreseeable liabilities whose amount and nature are uncertain as well as for pending losses. They were formed mainly for an interest hedging transaction (€ 9,540k), legal, auditing and consulting fees (€ 486k) and for bonuses and commissions (€ 445k). In addition, accrued liabilities were formed for the employee stock ownership plan (€ 3,272k) and for foreseeable interest risks accruing from the tax audit (€ 7,323k).

The effect from discounting accruals recognized in interest income amounts to € 42k.

LIABILITIES

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

	12/31/2011	12/31/2011			12/31/2010	
		Remaining term				Remaining t
	Total	up to 1 year	1 to 5 years	over 5 years	Total	up to 1 year
Bank liabilities	502,000	100,000	402,000		370,166	178,166
Trade payables	235	235			58	58
Liabilities due to affiliated companies	36,252	36,252			19,613	19,613
Liabilities due to companies in which an investment is held	715	715			797	797
Other liabilities thereof for social security € 1k (prior year: € 0k)	3,705	3,705			2,548	2,548
	542,907	**140,907**	**402,000**	**0**	**393,182**	**201,182**

Liabilities due to banks result mainly from two syndicated loans (I and II).

Syndicated Loan I was signed on September 14, 2007. The entire credit line is divided into a Tranche A amounting to € 300 million and a Tranche B of originally € 200 million. Tranche A has a term of five years and is to be redeemed from March 14, 2010 in six equal half-yearly installments. As of December 30, 2009 the first partial amount of Tranche A amounting to € 50 million was repaid prematurely. The second, third and fourth contractual repayments of € 50 million each were made in the third quarter of 2010, the first quarter of 2011 and the third quarter of 2011. As of December 31, 2011, € 100 million has thus been used from Tranche A. Tranche B was a revolving syndicated loan expiring on September 13, 2012, which was prematurely redeemed in connection with the conclusion of a new Syndicated Loan II with a total amount committed of € 480 million.

Syndicated Loan II was concluded on June 7, 2011. The entire credit line is divided into a Tranche A amounting to € 120 million and a Tranche B of € 360 million. Tranche A is a bullet loan with a term of five years. Tranche B is a revolving syndicated loan which was also used to repay Tranche B of the syndicated loan of September 14, 2007. The syndicated loan expires on June 7, 2016. As of December 31, 2011, € 120 million have been used from Tranche A and € 210 million from Tranche B.

A promissory note loan (“Schuldscheindarlehen”) of € 150.0 million was negotiated on July 23, 2008. The loan is redeemable on maturity and divided into a Tranche A of € 78.0 million with a term until July 23, 2011 and a Tranche B of € 72.0 million with a term until July 23, 2013. Tranche A was redeemed according to schedule in the third quarter of 2011.

No collateral was provided for either the two syndicated loans or the promissory note loan.

Liabilities to affiliated companies mainly consist of liabilities due from balances as part of the United Internet Group’s cash management system (€ 31,943k), and for services received from these companies (€ 4,309k).

Other liabilities consist mainly of sales tax liabilities of € 2,579k and the interest portion of liabilities from the interest hedging transaction amounting to € 1,068k.

DEFERRED TAXES

The introduction of the German Accounting Law Modernization Act (BilMoG) led to a revision of regulations regarding the accounting of deferred taxes. As a consequence, deferred taxes already existing as of December 31, 2009 were transferred to other revenue reserves without affecting the income statement during conversion to the BilMoG on January 1, 2010.

Due to existing direct and indirect tax pooling, the measurement of existing deferred taxes must be made across the entire tax pooling group.

In the previous year, net deferred tax liabilities of € 16,215k were recognized. This measurement resulted mainly from deferred tax liabilities for intangible assets (€ 28,485k) and financial assets (€ 11,355k), as well as deferred tax assets for prepaid expenses (hardware subsidies € -16,584k) and accruals for impending losses (interest hedge € -4,258k).

Due mainly to the decline in deferred tax liabilities for intangible assets of € 6,649k to € 21,836k and the increase in deferred tax assets for prepaid expenses (hardware subsidies) of € 8,673k to € 25,257k, there is an excess of deferred tax assets as of December 31, 2011. In execution of the reporting option pursuant to Sec. 274 (1) S. 2 HGB, this excess is not recognized. As a consequence, the change in recognized deferred taxes resulted in deferred tax income of € 16,215k.

The calculation is based on a tax rate of 30.01%.

NOTES TO THE INCOME STATEMENT

SALES

The company's sales were generated exclusively in Germany and mainly comprise charges to subsidiaries for services rendered (€ 2,259k) and rent (€ 468k).

OTHER OPERATING INCOME

Other operating income results from the partial sale of shares held in freenet AG (€ 4,613k) and the sale of shares in Versatel AG (€ 3,655k). The revaluation of shares held in freenet AG as of the balance sheet date resulted in income of € 6,601k. Reference is made to the explanations on Financial Assets.

The income from an interest hedging transaction amounts to € 1,732k.

Other operating income not relating to the period of € 399k results from the reversal of accruals.

OTHER OPERATING EXPENSES

In addition to legal, consulting and audit fees and Supervisory Board remuneration (€ 1,858k), other operating expenses mainly contain commission expenses (€ 1,214k), expenses for investor relations, marketing and press PR (€ 444k), and rent expenses (€ 188k). They also contain € 1k from foreign currency translation.

INCOME FROM INVESTMENTS

In the period under review, dividends of € 5,100k were received from the investment in freenet AG.

INCOME FROM PROFIT TRANSFER AGREEMENTS

This item comprises the profit and loss transferred by 1&1 Internet AG (€ 251,602k) and United Internet Beteiligungen GmbH (€ 2,091k).

AMORTIZATION OF FINANCIAL ASSETS AND SHORT-TERM SECURITIES

This item includes the non-scheduled amortization of the carrying value of investments in Hi-Media S.A. to its fair value as of the balance sheet date.

For the calculation of non-scheduled amortization, a share price was assumed for Hi-Media S.A. of € 2.21 per share as of December 31, 2011.

INCOME TAXES

Income taxes of € 85,142k concern current taxes, of which € 45,260k were corporation tax and the solidarity surcharge and € 39,882k concerned trade tax.

Tax income relating to previous years amounts to € 2,102k, of which € 1,448k relates to corporation tax and the solidarity surcharge and € 654k to trade tax.

As a result of expected tax audit findings for the current audit of 2006 to 2008, there are tax expenses not relating to the period for income taxes amounting to € 8,860k. In addition, there were also expenses not relating to the period for sales tax of € 1,180k and expenses not relating to the period for interest of € 7,323k. These are disclosed under other taxes or in the interest result.

Deferred tax income amounts to € 16,215k. We refer to the explanations on the balance sheet item Deferred Taxes.

OTHER DISCLOSURES

Average number of employees

An average of 17 (prior year: 16) permanent salaried staff were employed in the past fiscal year (without Management Board members, apprentices, part-time staff and employees on maternity leave).

Executive bodies of United Internet AG

The Management Board consists of the following members:

Ralph Dommermuth, (CEO), Montabaur

Norbert Lang, (CFO), Waldbrunn

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

Ralph Dommermuth

- United Internet Media AG, Montabaur (chair)
- Sedo Holding AG, Cologne

Norbert Lang

- Hi-Media SA, Paris / France
- United Internet Media AG, Montabaur
- united-domains AG, Starnberg (chair)
- Versatel AG (joined August 9, 2010 / left February 9, 2012)

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 2011. The fixed remuneration component is paid monthly as a salary. The size of the bonus depends on reaching certain, fixed financial targets agreed at the beginning of the fiscal year. These targets are based mainly on the sales and earnings figures. The target attainment corridor is generally between 90% to 120%. No bonus is paid below 90% of the agreed target and the bonus calculation ends at 120% of the agreed target. No subsequent amendment of the performance targets is allowed. There is no minimum guaranteed bonus. Payment is made after the annual financial statements have been adopted by the Supervisory Board. In fiscal year 2011, preliminary remuneration of € 1,046k (prior-year: € 1,027k) was agreed for the Management Board. Of this total, € 600k or 57% was fixed and € 446k or 43% variable.

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

In fiscal years 2008 and 2009, Mr. Norbert Lang was granted 800,000 virtual stock options each year (so-called Stock Appreciation Rights or SARs) at an exercise price of € 12.85 and € 5.52. At the time these virtual stock options were issued, the fair values amounted to € 2,384k and € 1,104k.

SARs refer to the company's commitment to pay the beneficiary a cash amount equivalent to the difference between the share price on the date of granting the option (strike price) and the share price on exercising the option. The exercise hurdle is 120% of the share price of the average closing price in electronic trading (Xetra) of the Frankfurt Stock Exchange over the ten days preceding issuance of the option. Payment of value growth to the entitled person is limited to 100% of the strike price.

An SAR corresponds to a virtual subscription right for one share of United Internet AG. However, it is not a share right and thus not a (genuine) option to acquire shares of United Internet AG. The company retains the right, however, to fulfill its commitment to pay the SAR in cash by also transferring United Internet AG shares from its stock of treasury shares to the beneficiary, at its own discretion.

Up to 25% of the option right may be converted at the earliest 24 months after the date of issue of the option; up to 50% at the earliest 36 months after the date of issue of the option. A total of up to 75% may be exercised at the earliest 48 months after the date of issue of the option; the full amount may be exercised at the earliest 60 months after the date of issue of the option. Mr. Norbert Lang was able to exercise 200,000 rights for the first time in 2011, at a strike price of € 5.52 each.

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

2011	fixed	variable	total
Ralph Dommermuth	300	249	549
Norbert Lang	300	197	497
	600	446	1,046

2010	fixed	variable	total
Ralph Dommermuth	300	238	538
Norbert Lang	300	189	489
	600	427	1,027

As of December 31, 2011, the Supervisory Board of United Internet AG consisted of the following members:

Kurt Dobitsch, chair,
self-employed entrepreneur, Markt Schwaben

Kai-Uwe Ricke
Managing Partner, Thalwil / Switzerland

Michael Scheeren, deputy chair
qualified banker, Cologne

In fiscal year 2011, 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, Zurich / Switzerland (retired October 12, 2011)
- Graphisoft S.E, Budapest / Hungary

Kai-Uwe Ricke

- 1&1 Internet AG, Montabaur
- Kabel Baden-Württemberg GmbH & Co. KG, Heidelberg (retired December 15, 2011)
- Exigen Capital Europa AG, Zurich / Switzerland
- Nordia Innovation AB, Stockholm / Sweden (retired November 4, 2011)
- euNetworks Group Ltd., Singapore / Singapore
- Delta Partners, Dubai / Emirate of Dubai

Michael Scheeren

- 1&1 Internet AG, Montabaur (Chairman)
- Sedo Holding AG, Montabaur (Chairman)
- United Internet Media AG, Montabaur (Deputy Chairman)
- Goldbach Group AG, Küsnacht- Zurich / 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 € 10k 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 € 1k for every cent which exceeds the consolidated earnings per share (EPS) value of € 0.60 for United Internet AG, calculated according to IFRS.

In addition, each member of the Supervisory Board shall receive for fiscal year 2013 and the following fiscal years remuneration of € 500 per starting percentage point by which EPS in the past fiscal year exceeds the EPS of the fiscal year completed 3 years previously, limited to a maximum of € 10k per fiscal year.

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

2011	fixed	variable	total
Kurt Dobitsch	20	20	40
Kai-Uwe Ricke	10	20	30
Michael Scheeren	10	20	30
	40	60	100

2010	fixed	variable	total
Kurt Dobitsch	20	---	20
Kai-Uwe Ricke	10	---	10
Michael Scheeren	10	---	10
	40	0	40

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

Share ownership and subscription rights as of December 31, 2011

	Shares (units)	Subscription rights (units)
Management Board		
Ralph Dommermuth	90,000,000	---
Norbert Lang	442,877	1,400,000
Supervisory Board		
Kurt Dobitsch	---	---
Kai-Uwe Ricke	---	---
Michael Scheeren	700,000	---

Contingent liabilities

The company is jointly and severally liable for a credit line granted by banks to companies of the United Internet Group. As of the balance sheet date, the credit line was used for guaranties amounting to € 10,438k. With regard to other bank liabilities, reference is made to the explanations under “Liabilities”.

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

Disclosures to derivative financial instruments

As part of the Versatel transaction, United Internet received a call option to purchase 25.1% of shares in the holding company founded by KKR for the Versatel acquisition at the same conditions as KKR on expiry of 17 months from completion of the transaction. In addition, United Internet received a second call option for 100% of shares in the purchasing company founded by KKR for the acquisition. This option runs for a period of 17 months from completion of the transaction and can be exercised during specific exercise windows. Reference is made to the explanations on derivative financial instruments below.

At the time of granting, these two call options had no intrinsic value and were thus not recognized. As of the balance sheet date, the fair values of the two options amounted to € 8.7 million and € 2.3 million, respectively. The values were calculated using a Black-Scholes model.

As the above mentioned options were granted on the basis of a disjunction, the fair values are not to be added. Based on generally accepted accounting principles, these derivative financial instruments were not measured at fair value.

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. The agreements have a term until October 9, 2013. The fair value including accrued interest of € 984k amounts to € 10,524k as of the balance sheet date. Negative market value of € 9,540k was carried under accruals for pending losses, while deferred interest of € 984k is included in other liabilities. The change in fair value is recognized in other operating expenses, or other operating income, while the cash-relevant interest component is included in interest expenses. The measurement of fair value was made on the basis of current market data using recognized mathematical valuation methods (discounted cash flow method).

Against the backdrop of new financial loans taken out in fiscal year 2011, four interest swaps were concluded with a total nominal amount of € 180,000k to hedge against the interest risk. The agreements have a term until June 7, 2016. The fair value including accrued interest of € 84k amounts to € 6,343k as of the balance sheet date. A hedge was formed with the underlying transaction (financial loans) pursuant to Sec. 254 HGB for these hedging transactions. Due to the use of the “net hedge presentation method” ("Einfrierungsmethode"), the negative market value of € 6,259k was not recognized. The deferred interest of € 84k is included in other liabilities. The measurement of fair value was made on the basis of current market data using recognized mathematical valuation methods (discounted cash flow method).

The hedges are formed as follows:

	Underlying transaction / hedging instrument	Risk / type of hedge	Considered amount	Amount of hedged risk
(1)	Syndicated loan - revolver / interest derivative	interest rate risk / micro-hedge	60.000 T€	60.000 T€
(2)	Syndicated loan - term loan / interest derivative	interest rate risk / micro-hedge	40.000 T€	40.000 T€
(3)	Syndicated loan - term loan / interest derivative	interest rate risk / micro-hedge	40.000 T€	40.000 T€
(4)	Syndicated loan - term loan / interest derivative	interest rate risk / micro-hedge	40.000 T€	40.000 T€

on (1): The opposing changes in value / cash flows of the underlying transaction and hedge mainly offset each other in fiscal year 2011. Over the entire course of the hedge period, the opposing changes in value / cash flows of the underlying transaction and hedge are also expected to mainly offset each other as the main underlying conditions agree (so-called critical-term match). The formation of a hedge in this case is mainly based on the assumption that the use of the credit line of the revolving syndicated loan will amount to at least € 60,000k.

on (2) to (4): Over the entire course of the hedge period, the opposing changes in value / cash flows of the underlying transaction and hedge are also expected to mainly offset each other as the main underlying conditions agree (so-called critical-term match).

A critical-term match was made on conclusion of the hedges. On every balance sheet date, a retrospective examination and measurement of the hedge’s effectiveness is made using the “hypothetical derivative method”. When using this method, a company must consider the option’s fair value if it determines any change in the fair value of the underlying transaction during its examination and measurement of the hedge’s effectiveness. According to current commercial law regulations, the market value of the hedging instruments is to be recognized in the amount of the ineffective share. No effects were recognized in fiscal year 2011.

Miscellaneous

The carrying value of certain listed shares pursuant to Sec. 284 (2) No. 4 HGB is € 16,455k above the fair value of these securities. The Company assumes that the impairment will not be permanent.

Transactions with related parties

A payment to the capital reserves of 1&1 Internet AG, Montabaur, pursuant to Sec. 272 (2) No. 4 HGB in the amount of € 700,000k was made during the period under review. 1&1 Internet AG used these funds to serve its profit transfer commitment from fiscal year 2010. The profit transfer was largely determined by a non-cash contribution gain. There was a corresponding increase in the investment valuation of 1&1 Internet AG on the level of United Internet.

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

Other financial commitments

The company has obligations from lease agreements, mostly for its offices and business premises in Montabaur.

	2011 €k
Liabilities from long-term financial obligations	3,197
of which due within one year	553
of which due between two and five years	1,627
of which due in more than five years	1,017

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

Publication on January 29, 2009

Deutsche Bank AG, London, United Kingdom informed our company on January 27, 2009 of the following:

Pursuant to Sec. 21 (1), 24 WpHG (German Securities Trading Act) in conjunction with Sec. 32 (2) InvG (German Investment Act), we hereby notify that the percentage of voting rights of our subsidiary DWS Investment GmbH, Frankfurt, Germany, in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany, crossed below the threshold of 5% on 26 January 2009 and amounts to 4.86% (12,213,000 voting rights) as per this date.

Publication on December 22, 2009

In accordance with Sec. 21 (1) WpHG, Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft, Montabaur, Germany, has informed us that its proportion of voting rights in United Internet AG, Montabaur, exceeded the threshold of 30% due to a reduction in the total number of voting rights as of December 21, 2009, and amounted to 31.00% on this day (74,400,000 voting rights). Of this amount, 1.67% of voting rights (4,000,000 voting rights) are attributable to Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft according to Sec. 22 (1) Sentence 1 No. 1 WpHG.

In accordance with Sec. 21 (1) WpHG, Ralph Dommermuth Verwaltungs GmbH, Montabaur, Germany, has informed us that its proportion of voting rights in United Internet AG, Montabaur, exceeded the threshold of 30% due to a reduction in the total number of voting rights as of December 21, 2009, and amounted to 31.00% on this day (74,400,000 voting rights). Of this amount, 31.00% of voting rights (74,000,000 voting rights) are attributable to Ralph Dommermuth Verwaltungs GmbH according to Sec. 22 (1) Sentence 1 No. 1 WpHG. Voting rights attributed to Ralph Dommermuth Verwaltungs GmbH are held by the following companies it controls, whose voting rights in United Internet AG amounted to 3% or more:

Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft.

Publication on February 22, 2011

United Internet AG (ISIN DE0005089031), Elgendorfer Str. 57, 56410 Montabaur, Germany herewith notifies pursuant to Sec. 26 (1) Sentence 2 WpHG that it has reached the threshold of 10% of treasury shares on February 22, 2011, and at that date it held treasury shares amounting to 10.00% (24,000,000 shares) of the share capital of € 240 million.

Publication on February 22, 2011

United Internet AG (ISIN DE0005089031), Elgendorfer Str. 57, 56410 Montabaur, Germany, herewith notifies pursuant to Sec. 26 (1) Sentence 2 WpHG that after cancellation of 15,000,000 treasury shares and reduction of the share capital it fell below the threshold of 10% and 5% of treasury shares on February 22, 2011, and at that date it held treasury shares amounting to 4.00% (9,000,000 shares) of the share capital of € 225 million.

Publication on February 25, 2011

On February 23, 2011, the following entities:

WP International I S.à r.l , Luxembourg, Grand Duchy of Luxembourg,

WP X International Holdings LLC, New York, USA,

Warburg Pincus Private Equity X, L.P., New York, USA,

Warburg Pincus X, L.P., New York, USA,

Warburg Pincus X LLC, New York, USA,

Warburg Pincus Partners LLC, New York, USA

Warburg Pincus & Co., New York, USA,

notified us pursuant to Sec. 21 (1) WpHG of the following:

WP International I S.à r.l., a company organized under the laws of the Grand Duchy of Luxembourg with an address in Luxembourg, Grand Duchy of Luxembourg, exceeded the thresholds of 3% and 5% of voting rights in United Internet Aktiengesellschaft on February 22, 2011 and held 5.29% (11,900,000 voting rights) as of this date.

WP X International Holdings LLC, a Delaware limited liability company with an address in New York, New York, USA, exceeded the thresholds of 3% and 5% of voting rights in United Internet Aktiengesellschaft on February 22, 2011 and held 5.29% (11,900,000 voting rights) as of this date. All of these voting rights are attributed to WP X International Holdings LLC pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG through the controlled entity: WP International I S.à r.l.

Warburg Pincus Private Equity X, L.P., a Delaware limited partnership with an address in New York, New York, USA, exceeded the thresholds of 3% and 5% of voting rights in United Internet Aktiengesellschaft on February 22, 2011 and held 5.29% (11,900,000 voting rights) as of this date. All of these voting rights are attributed to Warburg Pincus Private Equity X, L.P., pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG through the controlled entities: WP X International Holdings LLC and WP International I S.à r.l.

Warburg Pincus X, L.P., a Delaware limited partnership with an address in New York, New York, USA, exceeded the thresholds of 3% and 5% of voting rights in United Internet Aktiengesellschaft on February 22, 2011 and held 5.29% (11,900,000 voting rights) as of this date. All of these voting rights are attributed to Warburg Pincus X, L.P., pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG through the controlled entities: Warburg Pincus Private Equity X, L.P., WP X International Holdings LLC, and WP International I S.à r.l.

Warburg Pincus X LLC, a Delaware limited liability company with an address in New York, New York, USA, exceeded the thresholds of 3% and 5% of voting rights in United Internet Aktiengesellschaft on February 22, 2011 and held 5.29% (11,900,000 voting rights) as of this date. All of these voting rights are attributed to Warburg Pincus X LLC pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG through the controlled entities: Warburg Pincus X, L.P., Warburg Pincus Private Equity X, L.P., WP X International Holdings LLC and WP International I S.à r.l.

Warburg Pincus Partners LLC, a New York limited liability company with an address in New York, New York, USA, exceeded the thresholds of 3% and 5% of voting rights in United Internet Aktiengesellschaft on February 22, 2011 and held 5.29% (11,900,000 voting rights) as of this date. All of these voting rights are attributed to Warburg Pincus Partners LLC pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG through the controlled entities: Warburg Pincus X LLC, Warburg Pincus X, L.P., Warburg Pincus Private Equity X, L.P., WP X International Holdings LLC and WP International I S.à r.l.

Warburg Pincus & Co., a New York general partnership with an address in New York, New York, USA, exceeded the thresholds of 3% and 5% of voting rights in United Internet Aktiengesellschaft on February 22, 2011 and held 5.29% (11,900,000 voting rights) as of this date. All of these voting rights are attributed to Warburg Pincus & Co. pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG through the controlled entities: Warburg Pincus Partners LLC, Warburg Pincus X LLC, Warburg Pincus X, L.P., Warburg Pincus Private Equity X, L.P., WP X International Holdings LLC and WP International I S.à r.l.

Publication on March 16, 2011

United Internet AG (ISIN DE0005089031), Elgendorfer Str. 57, 56410 Montabaur, Germany herewith notifies pursuant to Sec. 26 (1) Sentence 2 WpHG that its amount of treasury shares has reached the threshold of 5% on March 16, 2011 and at that date amounted to 5.00% (11,250,000 shares).

Publication on October 21, 2011

On October 21, 2011, Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt am Main, Germany, informed us according to Sec. 21 (1) of the WpHG that its voting rights in United Internet AG, Montabaur, Germany, fell below the 3% threshold of voting rights on October 21, 2011 and on that day amounted to 2.996% (corresponding to 6,441,418 voting rights). According to Sec. 22 (1) Sentence 1 No. 6 of the WpHG, 1.34% of the voting rights (corresponding to 2,888,474 voting rights) are attributable to the company.

Publication on November 17, 2011

On November 17, 2011, Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt am Main, Germany, informed us according to Sec. 21, (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, exceeded the 3% threshold of voting rights on November 16, 2011 and on that day amounted to 3.04% (corresponding to 6,540,610 voting rights). According to Sec. 22 (1) Sentence 1 No. 6 of the WpHG, 1.39% of the voting rights (corresponding to 2981966 Voting Rights) are attributable to the company.

On November 16, 2011, BlackRock, Inc., New York, USA, informed us according to Sec. 21 (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, have exceeded the 3% threshold of voting rights on November 9, 2011, and on that day amounted to 3.01% (corresponding to 6,475,930 voting rights). According to Sec. 22 (1) Sentence 1 No. 6 in connection with Sentence 2 of the WpHG, 3.01% of the voting rights (corresponding to 6,475,930 voting rights) are attributable to the company

Publication on November 25, 2011

United Internet AG (ISIN DE0005089031), Elgendorfer Str. 57, 56410 Montabaur, Germany, herewith notifies pursuant to Sec. 26 (1) Sentence 2 WpHG that its amount of treasury shares has exceeded the threshold of 5% (based on 225 million shares/voting rights) on March 23, 2011, and at that date amounted to 5.31 % (11,939,073 shares).

Publication on January 10, 2012

BlackRock, Inc., New York, USA has informed us according to Sec. 21 (1) of the WpHG in correction of the notification dated November 16, 2011 that via shares its voting rights in United Internet AG, Montabaur, Germany, exceeded the 3% threshold of the voting rights on November 16, 2011 and on that day amounted to 3.01% (corresponding to 6,475,930 voting rights). According to Sec. 22 (1) Sentence 1 No. 6 in connection with Sentence 2 of the WpHG, 3.01% of the voting rights (corresponding to 6,475,930 voting rights) is attributable to the company.

Auditing and consulting fees

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

Corporate Governance Code

The declaration of conformity with the German Corporate Governance Code acc. to Sec. 161 AktG was filed by the Management Board and Supervisory Board and is available to shareholders via the internet portal of United Internet AG (www.united-internet.de).

Montabaur, March 21, 2012

The Management Board

Ralph Dommermuth Norbert Lang

United Internet AG

Development of Fixed Assets from January 1, 2011 to December 31, 2011

	Acquisition and production costs (€k)				Accumulated Depreciation (€k)				Net book value (€k)	
	1/1/2011	Additions	Disposals	12/31/2011	1/1/2011	Additions	Disposals	12/31/2011	12/31/2011	12/31/2010
Intangible assets										
Licenses	150			150	147			147	3	3
Software	656	2		658	644	12		656	2	12
Total (I)	**806**	**2**	**0**	**808**	**791**	**12**	**0**	**803**	**5**	**15**
Property, plant and equipment										
Operational equipment	946	3		949	921	7		928	21	25
Office equipment	584			584	582	1		583	1	2
Improvements	114			114	107	1		108	6	7
Vehicles	574	31	63	542	370	76	38	408	134	204
Low-cost assets	3			3	3			3	0	0
Total (II)	**2,221**	**34**	**63**	**2,192**	**1,983**	**85**	**38**	**2,030**	**162**	**238**
Financial assets										
Shares in affiliated companies	404,999	700,000		1,104,999	0			0	1,104,999	404,999
Loans to affiliated companies	1,750			1,750	0			0	1,750	1,750
Investments	273,237		236,497	36,740	166,556	1	166,554	3	36,737	106,681
Total (III)	**679,986**	**700,000**	**236,497**	**1,143,489**	**166,556**	**1**	**166,554**	**3**	**1,143,486**	**513,430**
Total	**683,013**	**700,036**	**236,560**	**1,146,489**	**169,330**	**98**	**166,592**	**2,836**	**1,143,653**	**513,683**

United Internet AG, Montabaur **Exhibit 2**

Shareholdings as of December 31, 2011

	Share of capital	Equity of company as of December 31, 2011	Net income / net loss FY 2011
	in %	T€	T€
Directly held shares			
1&1 Internet AG, Montabaur (1)	100.00	916,301	0
MIP Multimedia Internet Park GmbH, Zweibrücken	100.00	672	-5
United Internet Beteiligungen GmbH, Montabaur (1)	100.00	128,416	0
Sedo Holding AG, Köln (3)	78.79	97,785	1,127
Indirectly held shares			
1&1 Breitband GmbH, Montabaur	100.00	19	-4
1&1 Internet Applications GmbH, Montabaur (2)	100.00	25	0
1&1 Internet Development SRL, Bukarest / Rumänien	99.00	1,598	1,107
1&1 Internet Ltd., Slough / Großbritannien	100.00	170	-453
1&1 Internet S.A.R.L., Saargemünd / Frankreich	100.00	-11,869	-980
1&1 Internet Inc., Chesterbrook / USA	100.00	719	-16,959
1&1 Internet Espana S.L.U, Madrid / Spanien	100.00	-17,399	-7,656
1&1 Internet Service GmbH, Montabaur (2)	100.00	370	0
1&1 Internet Service GmbH Zweibrücken, Zweibrücken (4)	100.00	25	0
1&1 Internet (Philippines) Inc., Cebu City / Philippinen	100.00	826	130
1&1 Internet Sp.z o.o, Warschau / Polen	100.00	1,146	-4,726
1&1 Mail & Media Holding GmbH, Montabaur (2)	100.00	913,356	0
1&1 Mail & Media GmbH, Montabaur (15)	100.00	212,665	0
1&1 Mail & Media Inc., Chesterbrook / USA	100.00	4,590	-3,853
1&1 Mail & Media Beteiligungen GmbH, Montabaur	100.00	946	-4
1&1 Telecom GmbH, Montabaur (2)	100.00	26	0
1&1 UK Holdings Ltd., Slough / Großbritannien	100.00	93,597	-4
A1 Marketing, Kommunikation und neue Medien GmbH, Montabaur (2)	100.00	31	0
A1 Media USA LLC, Chesterbrook / USA	100.00	-41	-184
Dollamore Ltd., Gloucester / Großbritannien	100.00	419	316
Fasthosts Internet Ltd., Gloucester / Großbritannien	100.00	8,559	5,351
Fasthosts Internet Inc., Chesterbrook / USA	100.00	318	-1,043
Fast Recruitment Ltd., Gloucester / Großbritannien (5)	100.00	---	---
General Media Xervices GMX S.L., Madrid / Spanien (5)	100.00	---	---
GMX Italia S.r.l., Mailand / Italien (5)	100.00	---	---
Immobilienverwaltung AB GmbH, Montabaur	100.00	428	28
Immobilienverwaltung NMH GmbH, Montabaur	100.00	66	-982
United Internet Media AG, Montabaur (2)	100.00	50	0
United Internet Dialog GmbH, Montabaur (14)	100.00	25	0
UIM United Internet Media Austria GmbH, Wien / Österreich	100.00	91	17
InterNetX GmbH, Regensburg (13)	95.56	9,645	4,347
InterNetX LAC S.A., Buenos Aires / Argentinien	100.00	11	-184
Domain Robot Enterprises Inc., Vancouver / Kanada (5)	100.00	---	---
Domain Robot Servicos de Hospedagem na Internet LTDA, Sao Paulo / Brasilien (5)	100.00	---	---
PSI-USA, Inc., Las Vegas / USA	100.00	456	0
Schlund Technologies GmbH, Regensburg (6)	100.00	25	0
united-domains AG, Starnberg	85.00	2,185	6,885
united-domains Reselling GmbH, Starnberg (12)	100.00	-327	0
United Domains, Inc., Cambridge / USA	100.00	-723	-349
Response Republic Beteiligungsgesellschaft Deutschland GmbH, Montabaur (8)	100.00	33,937	0
affilinet GmbH, München (8)	100.00	3,334	0
affilinet Ltd., London / Großbritannien	100.00	-4,131	-1,133
affilinet Nederland B.V., Haarlem / Niederlande	100.00	110	50
affilinet Espana S.L.U., Madrid / Spanien	100.00	103	26
affilinet France SAS, Levallois Perret / Frankreich	100.00	4,808	-806
Sedo GmbH, Köln (7)	100.00	13,428	0
Sedo.com LLC, Boston / USA	100.00	1,252	617
Sedo London Ltd., London / Großbritannen	100.00	44	21
Dom Collect Worldwide Intellectual Property AG, Zug / Schweiz	100.00	-2,568	-2,686
European Founders Fund Nr. 2 Verwaltungs GmbH, München	90.00	25	1
European Founders Fund Nr. 2 Geschäftsführungs GmbH, München	90.00	23	0
European Founders Fund GmbH & Co. Beteiligungs KG Nr. 2, München	90.00	14,665	-5
European Founders Fund Nr. 3 Verwaltungs GmbH, München	80.00	22	1
European Founders Fund Nr. 3 Management GmbH, München	80.00	23	0
European Founders Fund GmbH & Co. Beteiligungs KG Nr. 3, München	80.00	10,814	5,391

United Internet AG, Montabaur **Exhibit 2**

Shareholdings as of December 31, 2011

	Share of capital	Equity of company as of December 31, 2011	Net income / net loss FY 2011
	in %	T€	T€
European Founders Fund Nr. 3 Beteiligungs GmbH, München	100.00	709	4,890
European Founders Fund Verwaltungs GmbH, München	66.67	24	1
European Founders Fund Management GmbH, München	66.67	119	1
European Founders Fund GmbH & Co. Beteiligungs KG Nr. 1, München	66.67	19,720	3,382
fun communications GmbH, Karlsruhe	49.00	1,616	184
Intellectual Property Management Company Inc., Dover (Delaware) / USA	49.00	-396	84
DomainsBot S.r.l, Rom / Italien	49.00	630	164
Virtual Minds AG, Freiburg (16)	48.65	5,716	1,161
European Founders Fund Investment GmbH, München	33.33	423	-384
ProfitBricks GmbH, Berlin (16)	30.02	2,151	-764
PunktBayern GmbH & Co. KG, München (16)	25.00	270	-5
Travel-Trex GmbH, Köln (9)	25.00	633	1,232
getAbstract AG, Luzern / Schweiz (10)	22.00	3,462	219
internetstores AG, Stuttgart (11)	20.00	7,758	45
Goldbach Group AG, Küsnacht-Zürich / Schweiz	< 20,00	---	---
Hi-media S.A., Paris / Frankreich	< 20,00	---	---
MMC Investments Holding Company Ltd., Port Louis / Mauritius	< 20,00	---	---
Afilias Ltd., Dublin / Irland	< 20,00	---	---
Silverpop Systems Inc., Atlanta / USA	< 20,00	---	---
Become Inc., Sunnyvale / USA	< 20,00	---	---

(1) after profit transfer to United Internet AG, Montabaur
(2) after profit transfer to 1&1 Internet AG, Montabaur
(3) thereof 17.76 % of shares via United Internet Beteiligungen GmbH
(4) after profit transfer to 1&1 Internet Service GmbH, Montabaur
(5) no operating business
(6) after profit transfer to InterNetX GmbH, Regensburg
(7) after profit transfer to Response Republic Beteiligungsgesellschaft GmbH, Montabaur
(8) after profit transfer to Sedo Holding AG, Köln
(9) on basis of published figures as of May 31, 2010
(10) on basis of consolidated figures as of December 31, 2010
(11) on basis of published figures as of August 31, 2010
(12) after profit transfer to united-domains AG, Starnberg
(13) before profit distrubution
(14) after profit transfer to United Internet Media AG, Montabaur
(15) after profit transfer to 1&1 Mail & Media Holding GmbH, Montabaur
(16) on basis of published figures as of December 31, 2010

Audit opinion of the Independent auditor

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report for the group and the company of United Internet AG, Montabaur, for the fiscal year from January 1 to December 31, 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report for the group and the company in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report for the group and the company based on our audit.

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

Our audit has not led to any reservations.

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

Eschborn/Frankfurt am Main, March 21, 2012
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Bösser	Kemmerich
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the 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 21, 2012

Board of Management

Ralph Dommermuth Norbert Lang

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Management Report and Group Management Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Montabaur, March 21, 2012

Board of Management

Ralph Dommermuth Norbert Lang

The annual report is available in German and English. Both versions can be downloaded on www.united-internet.de. In all cases of doubt, the German version shall prevail.