Annual Financial Statements

2014

Management Report for the Group and Parent Company

Consolidated Annual Financial Statements acc. to IFRS

united internet

Content

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

The Annual Financial Statements are available in German and English. Both versions can be downloaded from www.united-internet.com. In all cases of doubt, the German version shall prevail.

1 Company and Group profile

1.1 Business model

Group structure

Founded in 1998 and based in Montabaur, Germany, United Internet AG (hereinafter shortened to: United Internet) 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 (PR), investor relations (IR), investment management, risk management, internal audit, and HR management.

In its fiscal year 2014, United Internet AG continued to drive the alignment of its Group structure with the company's segments/business fields (Access and Applications). The Access business and Applications business of United Internet AG are now separated in the sub-group 1&1 Telecommunication Holding SE and the sub-group 1&1 Internet AG, respectively.

Within the sub-group 1&1 Telecommunication Holding SE, the operating segment Access is managed in particular by 1&1 Telecom GmbH and Versatel Deutschland GmbH (acquired on October 1, 2014).

Operating activities in the Applications segment are primarily managed by 1&1 Internet AG, including its main domestic and foreign subsidiaries. These include (in the field of Business Applications) – in addition to 1&1's foreign subsidiaries 1&1 Internet Inc. (USA), 1&1 Internet Ltd. (UK), 1&1 Internet S.A.R.L. (France), 1&1 Internet España S.L.U. (Spain) and 1&1 Internet Sp.z o.o (Poland) – especially Arsys Internet S.L., Fasthosts Internet Ltd., InterNetX GmbH and united-domains AG, as well as (in the field of Consumer Applications) the companies now held under GMX & WEB.DE Mail & Media SE, 1&1 Mail & Media GmbH, 1&1 De-Mail GmbH, United Internet Media GmbH and affilinet GmbH. Sedo Holding GmbH (held by United Internet Ventures as of the balance sheet date) is also consolidated in the Applications segment.

In addition to these operative and fully consolidated subsidiaries, United Internet holds further investments. These mainly consist of the equity interests held by United Internet Ventures AG in the listed companies Goldbach Group AG, Switzerland (14.96%), Hi-Media S.A., France (10.50%), and Rocket Internet AG, Germany (8.18%), as well as the investments in Virtual Minds AG (48.65%), ProfitBricks GmbH (30.02%), Open-Xchange AG (28.36%), ePages GmbH (25.1%) and uberall GmbH (30.36%; formerly favor.it labs GmbH).

Further details on new investments, or changes in existing investments, are provided in section 2.2 "Business development" under "Group investments".

Simplified illustration of the Group structure (as of December 31, 2014) with significant operating subsidiaries and investments:

United Internet AG

- **1&1 Internet AG (100%)**
  - 1&1 Internet USA (100%)
  - 1&1 Internet UK (100%)
  - 1&1 Internet FR (100%)
  - 1&1 Internet ES (100%)
  - 1&1 Internet PL (100%)
  - Arsys (100%)
  - Fasthosts (100%)
  - InterNetX (95.56%)
  - united-domains (100%)
  - GMX & WEB.DE Mail & Media SE (100%)
    - 1&1 Mail & Media (100%)
    - 1&1 De-Mail (100%)
    - United Internet Media (100%)
    - Affilinet (100%)
- **1&1 Telecommunication Holding SE (100%)**
  - 1&1 Telecom (100%)
  - Versatel (100%)
- **United Internet Ventures AG (100%)**
  - Goldbach Group (14.96%)
  - Hi-Media (10.50%)
  - Rocket Internet (8.18%)
  - Sedo Holding (100%)
  - Virtual Minds (48.65%)
  - ProfitBricks (30.02%)
  - Open-Xchange (28.36%)
  - ePages (25.1%)
  - uberall (30.36%)

Business operations

With 14.78 million fee-based customer contracts and 32.12 million ad-financed free accounts around the world, United Internet is Europe's leading internet specialist.

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

The **Access segment** comprises the Group's fee-based fixed-line and mobile access products, including the respective applications (such as home networks, online storage, telephony or video-on-demand). United Internet operates exclusively in Germany in this segment, where it is one of the leading providers. The company remains largely independent of network providers by purchasing standardized network services from various pre-service providers. These are enhanced with end-user devices, self-developed applications and services from the company's own "Internet Factories" in order to differentiate them from the competition. Access products are marketed by the well-known 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. With the complete takeover of Versatel on October 1, 2014, United Internet now also has its own network. With a length of around 39,000 km, it is Germany's second-largest fiber-optic network. With its own network infrastructure, United Internet also has the opportunity to source internally produced DSL pre-services. Moreover, Versatel adds voice, data and network solutions for small and medium-sized companies, as well as infrastructure services for large corporations, to the existing product portfolio.

The **Applications segment** comprises the Group's application business – whether ad-financed or via fee-based subscriptions. These applications include domains, home pages, webhosting, servers and e-shops, Personal Information Management applications (e-mail, to-do lists, appointments, addresses), group work, online storage and office software. The applications are developed by the company's "Internet Factories" or in cooperation with partner firms and operated at the company's seven data centers. In its Applications segment, United Internet is also an internationally leading company and active in numerous European countries (Germany, France, the UK, Italy, Austria, Poland, Switzerland, Spain) as well as in North America (Canada, Mexico, USA). Applications are marketed to specific target groups via the differently positioned brands GMX, mail.com, WEB.DE, 1&1, Arsys, InterNetX, Fasthosts and united-domains. United Internet also offers its customers performance-based advertising and sales platforms on the internet via Sedo and affilinet.

Management

In the fiscal year 2014, the **Management Board** of United Internet AG comprised the company's founder and Chief Executive Officer Mr. Ralph Dommermuth, the deputy chair and Management Board member responsible for Business Applications Mr. Robert Hoffmann (with the company since 2006) and the Chief Financial Officer Mr. Norbert Lang (with the company since 1994).

With effect from October 1, 2014, the Supervisory Board of United Internet AG appointed Mr. Jan Oetjen and Mr. Martin Witt to the company's Management

Board. In his new position, Mr. Oetjen is responsible for United Internet's Consumer Applications business. His previous operating role as CEO of the Group subsidiary GMX & WEB.DE Mail & Media SE is not affected. The same applies to Mr. Witt, who is responsible for the Access business of United Internet AG and at the same time remains CEO of the Group subsidiary 1&1 Telecommunication Holding SE.

Born in 1972, Jan Oetjen joined the United Internet Group in October 2008 and has since been responsible for the E-Mail and Portal businesses (Consumer Applications) of the GMX and WEB.DE brands. Under his leadership, United Internet acquired the e-mail portal mail.com in 2010. He also headed the Group's launch of De-Mail services in 2013 as well as the security initiative "E-Mail made in Germany".

Martin Witt, born in 1955, has been working for the United Internet Group since June 2009 and has been responsible for the Group's Access business since July 2011. In 2013, Mr. Witt was elected to the Executive Committee of the German Association of Telecommunications and Value-Added Service Providers (Verband der Anbieter von Telekommunikations- und Mehrwertdiensten e. V. – VATM) and elected as its President on October 1, 2014. He is also actively engaged in the NGA Forum of Germany's Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railway (Bundesnetzagentur) as well as the German government's IT Summit.

Since October 1, 2014, the Management Board of United Internet AG has thus comprised five members:

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

The **Supervisory Board** elected by the Annual Shareholders' Meeting once again comprised Mr. Kurt Dobitsch (chair), Mr. Kai-Uwe Ricke and Mr. Michael Scheeren in fiscal year 2014.

Main markets and competition

Germany is still the most important sales market of the United Internet Group and accounts for almost 88.7% of total sales. With its DSL products, the Group is among the top three suppliers in Germany's broadband market and with its mobile internet products one of the fastest growing companies. United Internet is the market leader in Germany for hosting and cloud applications.

In Europe, United Internet's hosting and cloud applications are now available in all major markets – either locally or via Germany. In addition to the domestic German market, these mainly include the major European economies of the UK, France, Spain and Italy. With the exception of Italy, where United Internet only began operations in May 2012, the company is among the market leaders in the aforementioned countries. All in all, therefore, United Internet is also the leading European supplier of hosting and cloud applications.

Further key sales markets for the Group's application business outside Europe are the North American countries Canada, USA and Mexico. In the most important of these markets, the USA, United Internet is one of the five leading companies in this segment.

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

Main locations

As of December 31, 2014, United Internet employed a total of 7,832 people at 40 domestic and foreign facilities.

Main locations (by headcount)

Location	Main activity	Company / brand
Montabaur	HQ, Investments, IR, PR, Finance, Risk Management, Internal Audit, HR	United Internet
	Finance, PR, Marketing, Sales, Logistics, Customer Service for Access & Applications Business	1&1
Karlsruhe	Development, Product Management, Data Center Operation, Marketing, Sales, Purchasing, Customer Service for Access & Applications Business	1&1, WEB.DE, GMX, mail.com
Cebu City	Customer Service for Applications Business	1&1
Zweibrücken	Customer Service for Access & Applications Business	1&1
Madrid / Logroño	Applications Business, DC Operation in Spain	1&1, Arsys
Munich	Applications Business (Portals)	GMX, WEB.DE
	Applications Business (Affiliate Marketing)	affilinet
Chesterbrook / Lenexa	Applications Business, DC Operation, Customer Service in North America	1&1
Bucharest	Development in Applications Business	1&1
Flensburg	Access Business (B-to-B and Wholesale)	Versatel
Slough / Gloucester	Applications Business, DC Operation in UK	1&1, Fasthosts
Berlin	Development, Customer Service for Applications Business	1&1
	Access Business (B-to-B and Wholesale)	Versatel
Dortmund	Access Business (B-to-B and Wholesale)	Versatel
Düsseldorf	Access Business (B-to-B and Wholesale)	Versatel
Cologne	Applications Business (Domain Marketing)	Sedo
Stuttgart	Access Business (B-to-B and Wholesale)	Versatel
Regensburg	Applications Business (Reselling)	InterNetX
Starnberg	Applications Business (Domains)	united-domains

1.2 Strategy

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

A large number of customer relationships also helps the company to utilize so-called economies of scale: the greater the customer demand for products created by our development teams and operated at our own data centers, the greater our profit will be. These profits can then be invested in new customers, new products and new business fields.

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

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

With its many years of experience as an access and application provider, its expertise in software development and data center operation, marketing, sales and customer support, as well as its strong and well-known brands (such as 1&1, GMX and WEB.DE), and customer relationships with millions of private users, freelancers and small companies in Germany and abroad (currently almost 47 million user accounts world-wide), the company is excellently positioned.

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

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

Thanks to its high and plannable level of free cash flow, United Internet has a strong source of internal funding and also good access to debt financing markets in order to finance its future growth – whether organic or via acquisitions and investments.

The strategic alignment of the business fields is increasingly being reflected in the Group's corporate structure. The Access business and Applications business are separated in the sub-groups 1&1 Telecommunication Holding SE and 1&1 Internet AG, respectively.

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

1.3 Control systems

The internal control systems 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.

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

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

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

In order to control the Group's performance, United Internet AG uses in particular the key figures of the income statement (sales, EBITDA, EBIT, EPS), of the statement of cash flows (free cash flow) and of the statement of financial position (asset items, financial liabilities, equity ratio).

The company also employs non-financial key figures, in particular the number and growth of fee-based customer contracts, as well as ad-financed free accounts.

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

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

1.4 Research and development

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

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

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

At United Internet's own development centers (especially in Karlsruhe and Bucharest), around 2,500 (prior year: 1,900) developers, product managers and technical administrators use mainly open source code in clearly defined and modeled development environments. Third-party programming services are also used to swiftly and efficiently implement specific projects. This enables the company to quickly change existing products and adapt them to changing customer needs. United Internet also procures solutions from partners, which are then modified according to needs and integrated into its systems. With the aid of its self-developed and integrated applications, United Internet has a set of modules which can be easily combined and provided with product-specific or country-specific user interfaces in order to create a variety of powerful and integrated applications – a huge benefit when tailoring products to varying target groups or for international rollouts.

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

Focus areas 2014

Access

Integration of new pre-service provider E-Plus

In December 2013, United Internet and the E-Plus Group agreed on a cooperation for mobile services. As a result, the United Internet brand 1&1 was able to offer its customers innovative mobile products via the E-Plus network.

The second mobile provider E-Plus was integrated into the 1&1 Access platform in the first half of 2014. Existing processes, such as product provision for new customers, number portability, billing and customer care, had to be adapted and extended to the circumstances of the new mobile pre-service provider. In addition, new processes were created, e.g. to allow customers to switch between the two available mobile networks.

Since the completion of the integration phase in late June 2014, 1&1 can offer its mobile internet tariffs for both the D-network and E-network. Customers thus have the possibility to choose the network best suited to them. The 1&1 All-Net-Flat tariffs for smartphones, the 1&1 Data-Flat tariffs for tablets and notebooks, and the complete end-device range have been available for both networks since July 2014.

Business Applications

Launch of new product line "1&1 MyWebsite by Experts"

In May 2014, the United Internet brand 1&1 launched a new service in Germany, the USA, Spain and France called "1&1 MyWebsite by Experts", which complements its "1&1 MyWebsite" offering. "1&1 MyWebsite by Experts" is targeted at commercial users who would like a professionally designed website but have no time to set up and maintain their content.

Specially trained teams of web designers take over the complete creation, management and marketing of the client sites. New web design technologies were used and combined with the existing technical infrastructure of "1&1 MyWebsite". In order to optimize coordination with the customer, an innovative browser-based online configurator was specially developed. This enables a new customer – together with the web designer and using example layouts – to create the basic concept of the new website online. The web designer and customer interact in the same system in real time but within different graphic user interfaces. In addition, a visitor statistics feature (including graphic display) was integrated into the user interface of the control panel exclusively for this product line.

The quality and ongoing development of the websites is secured by regular analyses and audits of client websites over the product life cycle. Moreover, a tool-based and automated distribution logic to the customer's contact partner is currently in the final implementation phase. In future, the system will be able to automatically detect customer inquiries and assign them to the customer's personal contact partner. This enables the web designers to provide more efficient and personalized customer communication and service.

Permanent provision of registration processes for nTLDs

As of July 2013, the United Internet brands 1&1, Fasthosts, united-domains, InterNetX and Arsys offer their customers the possibility to make a non-binding registration for so-called nTLDs (new top-level domains). As soon as an nTLD has been released for general registration, the United Internet brands attempt to register the desired domains of their registered customers with the respective domain registry.

New internal and external registration processes are constantly being created for the growing number of nTLDs which enable the brands to reliably and quickly place the domain orders with a variety of registries and their back-end providers.

Development and implementation of new e-shops

In March 2014, the United Internet brand 1&1 presented a new e-shop generation. Developed in collaboration with partner ePages (an investment of United Internet AG), 1&1 E-Shops offer all features a dealer needs for successful online trading. This includes modern layouts for attractive shop design, "responsive design" (automatic optimization for mobile devices), easy connection with social networks and the integration of numerous payment and logistics service providers. 1&1 has established a high-performance and highly scalable IT infrastructure specifically for the operation of the new e-shops which delivers a previously unknown level of performance for the ePages shop system. The infrastructure is operated geo-redundantly with a high degree of availability so that even in the case of a (theoretical) total data center failure, the e-shops can continue to be operated smoothly.

The deep integration of ePages technology into the 1&1 product portfolio also enables further integrated services, such as the 1&1 payment system "ipayment". Together with ePages, a powerful REST API was also designed and used to implement a fully-featured shop application for 1&1 MyWebsite customers. This means that an attractive product range with full e-commerce functionality can be integrated into existing 1&1 MyWebsite projects.

Development and integration of "List Local"

In October 2014, a new solution called "1&1 List Local" was unveiled which allows companies to manage their company and contact details centrally so they can publish them in online directories – via 1-click publication and updating. "1&1 List Local" is based on the technology of uberall (an investment of United Internet AG).

The increased range and data consistency provided by "1&1 List Local" leads to a significant improvement in the visibility of the customer's website, e.g. via search engines. Such companies are easier to find on the net – especially via mobile devices. The directory comprises Google Maps, Yelp, Foursquare and TomTom, as well as 25 industry directories at present, online directories, search engines, apps and map services. It is being continuously extended.

Consumer Applications

Migration of all mail.com customers to new mail client generation

Following the successful rollout of new mail client technology for the established brands WEB.DE and GMX in German-speaking countries (Germany, Austria, Switzerland), the next step was also completed for international brand mail.com.

Enhanced with all the technical features required for an international alignment, mail.com was also migrated to the new mail client technology.

EMIG changes SSL encryption to German keys

As part of the “E-Mail Made in Germany” (EMIG) initiative, the second stage of technical implementation was started in 2014. In the course of this next expansion stage, all EMIG partners (WEB.DE, GMX, 1&1, Deutsche Telekom, Strato, freenet) were obliged to change their SSL certificates used for EMIG to certificates of German producers. As of April 29, 2014, only SSL keys certified in Germany are used within the “E-Mail made in Germany” alliance and all transmission paths are fully encrypted.

With the aid of large scale communication campaigns, all participants have also informed their clients in detail and asked them to change their POP3/IMAP and SMTP connections to SSL/TLS access.

Relaunch of cloud calendar for WEB.DE and GMX

In fiscal 2014, the cloud-based calendar used by GMX and WEB.DE was completely revamped – thus taking a further step toward “mobilization”. Relaunched in March for WEB.DE and in November for GMX, the calendar provides support for the open CALDAV standard as well as improvements to the desktop version. This establishes the possibility to seamlessly integrate the calendar into the mobile operating systems Android and iOS for mobile phones and tablets so that appointments can also be viewed and edited on the go.

In this connection, 1&1 became a member of CalConnect, the “Calendaring and Scheduling Consortium”. Together with major players like Apple, Google and Microsoft, 1&1 is committed to continuously developing the existing standards.

Development of “Inbox Ad”

With the aid of the newly developed “Inbox Ad”, advertisers can place their messages directly in the in-boxes of GMX and WEB.DE e-mail accounts. The advertising format can be displayed anywhere in the user’s e-mail history. The integration interface for inserting advertising messages in the mail list was designed with a special focus on performance and security so that the content is perceived as a positive added value. User attention is strengthened in particular by a Favicon (favorite icon) and the color demarcation of the subject line.

Advertising content is displayed directly in the mail window without the user having to leave his normal mail environment. Attention-grabbing rich media content, such as moving images, or forms can also be flexibly integrated. With its connection to the targeting solutions TGP (Target Group Planning) and DRP (Dialog Relevance Platform), Inbox Ad can also be accurately targeted. Moreover, advertisers can specifically target desktop or mobile users.

Development of “Multi Screen Targeting”

United Internet Media is the first German marketer to offer its advertising clients the possibility to accurately target specific groups via the various devices of modern internet users.

With the newly developed “Multi Screen Targeting”, customers can continue to be reached when they change devices. This ensures maximum customer attention over the longest possible contact period achieved by cross-channel campaigns with minimal wastage.

Aided by the broad target group portfolio of the well-known “Target Group Profiling”, and facilitated by the latest Big Data technologies, “Multi Screen Targeting” is an effective marketing tool in the age of the mobile internet – across all devices and advertising formats.

2 Economic report

2.1 General economic and sector conditions

General economic development

The International Monetary Fund (IMF) repeatedly downgraded its forecasts for the global economy throughout 2014. In the latest update to its "World Economic Outlook" on January 19, 2015, the Fund calculated growth for the **global economy** of 3.3% in 2014 (after 3.3% also in the previous year). This is 0.4 percentage points less than the IMF had forecast in January 2014.

The Fund blamed this weaker-than-expected trend in 2014 – despite low oil prices – above all on the following factors:

- Stagnation instead of the hoped-for upturn in the eurozone
- Economic damage caused by geopolitical crises (Ukraine, Middle East)
- Overheated financial markets do not reflect the real economic situation
- Low capital spending/demand-side stimulation in the major economies
- Lack of structural reforms in numerous nations

Compared to the previous year, United Internet's North American markets – the USA, Canada and Mexico – increased the pace of economic growth in 2014, but still fell short of the IMF's original growth expectations in many cases (January 2014 forecast). The **US economy** recovered in 2014 with growth of 2.4% – up 0.2 percentage points on the previous year. However, growth was still 0.4 percentage points below IMF expectations at the beginning of the year. The **Canadian economy** also grew by 2.4% and thus 0.4 percentage points more than in 2013. This was 0.2 percentage points more than in the IMF's January forecast. **Mexico** also succeeded in stepping up the pace of its economic growth by 0.7 percentage points compared to the previous year. With growth of 2.1%, however, it was still 0.9 percentage points below the original expectations of the IMF.

Following a recession of -0.5% in the previous year, the IMF calculated renewed growth 0.8% in 2014 for the **eurozone**. This was still 0.2 percentage points less than expected, however.

United Internet's main European target markets – France, Spain, Italy and the non-eurozone nation UK – also achieved economic growth in 2014 but similarly failed – in some cases badly – to match IMF expectations (January 2014 forecast). **France** raised growth by 0.1 percentage points to 0.4%, but was still 0.5 percentage points short of the IMF's original forecast. By contrast, **Spain** achieved growth of 1.4% – after a recession of -1.2% in the previous year – and exceeded the IMF's original forecast by 0.8 percentage points. The economic trend in **Italy** was significantly worse. Following a recession of -1.9% in 2013, the country suffered a further decline of -0.4% in 2014. This is 1.0 percentage point less than originally expected by the IMF.

Economic development in the **UK** exceeded expectations. Growth was up 0.9 percentage points year on year to 2.6% in 2014 – 0.2 percentage points more than expected by the IMF.

The IMF calculated economic growth of 1.5% in 2014 for **Germany**, United Internet's most important market (sales share 2014: 88.7%). This 1.3 percentage points more than in 2013 and roughly equals the IMF's original forecast. The IMF's figure for Germany is also largely in line with calculations of the country's Federal Statistics Office, which determined that gross domestic product (GDP) had grown by 1.6% (after price and calendar adjustments).

Changes in 2014 growth forecasts for United Internet's key target countries and regions

	January forecast	April forecast	July forecast	October forecast	Actual 2014	Change on January forecast
World	+ 3.7%	3.6%	3.4%	3.3%	3.3%	- 0.4 %-points
USA	+ 2.8%	2.8%	1.7%	2.2%	2.4%	- 0.4 %-points
Canada	+ 2.2%	2.3%	2.2%	2.3%	2.4%	+ 0.2 %-points
Mexico	+ 3.0%	3.0%	2.4%	2.4%	2.1%	- 0.9 %-points
Eurozone	+ 1.0%	1.2%	1.1%	0.8%	0.8%	- 0.2 %-points
France	+ 0.9%	1.0%	0.7%	0.4%	0.4%	- 0.5 %-points
Spain	+ 0.6%	0.9%	1.2%	1.3%	1.4%	+ 0.8 %-points
Italy	0.6%	0.6%	0.3%	- 0.2%	-0.4%	- 1.0 %-points
UK	2.4%	2.9%	3.2%	3.2%	2.6%	+ 0.2 %-points
Germany	1.6%	1.7%	1.9%	1.4%	1.5%	- 0.1 %-points

Source: International Monetary Fund, World Economic Outlook (Update), January 2015

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

	2010	2011	2012	2013	2014
World	5.2%	3.9%	3.1%	3.3%	3.3%
USA	3.0%	1.8%	2.8%	2.2%	2.4%
Canada	3.2%	2.6%	1.7%	2.0%	2.4%
Mexico	5.4%	3.9%	3.7%	1.4%	2.1%
Eurozone	1.9%	1.4%	- 0.7%	- 0.5%	0.8%
France	1.4%	1.7%	0.0%	0.3%	0.4%
Spain	- 0.1%	0.4%	- 1.6%	- 1.2%	1.4%
Italy	1.5%	0.4%	- 2.5%	- 1.9%	- 0.4%
UK	2.1%	0.9%	0.3%	1.7%	2.6%
Germany	3.6%	3.1%	0.9%	0.2%	1.5%

Source: International Monetary Fund, World Economic Outlook (Update), January 2015

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

	2010	2011	2012	2013	2014
GDP	+ 3.9%	+ 3.7%	+ 0.6%	+ 0.2%	+ 1.6%

Source: Statistisches Bundesamt, January 2015

Sector development

The German Information and Communication Technology (ICT) market performed slightly worse than expected at the beginning of 2014 (+1.7%). At its annual press conference at CeBIT, the sector association BITKOM announced revenue growth of 1.5% to € 153.3 billion in 2014.

Revenues from ICT products and services in Germany
(in € billion)

	2014	2013	Change
Total ICT market	153.3	151.0	+ 1.5%
IT sub-market	77.8	74.7	+ 4.1%
Telecommunications sub-market	65.3	65.6	- 0.5%
Consumer electronics sub-market	10.2	10.7	- 4.7%

Source: BITKOM

Development of United Internet's key markets

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

German broadband market

In view of the high level of household coverage already achieved and the strong trend toward mobile internet usage, demand for new fixed-line broadband connections in Germany has slowed since 2008. With expected growth of 0.7 million to 29.4 million in 2014, the number of new connections was again well below previous record years. These figures were calculated by the Association of Telecommunications and Value-Added Service Providers (Verband der Anbieter von Telekommunikations- und Mehrwertdiensten – VATM) and Dialog Consult in their joint "TC Market Analysis for Germany 2014" published in October 2014.

In its survey "German Entertainment and Media Outlook 2014-2018" of December 2014, PricewaterhouseCoopers expected sales of fixed-line broadband connections to rise by 1.7% to around € 7.74 billion in 2014.

According to calculations of Dialog Consult / VATM, however, the average volume of data used is rising much more strongly than the number of newly activated connections and sales of broadband connections – as an indicator of continued growth in usage – with growth of 27.8% to 26.7 GB (per connection and month).

Key market figures: broadband access (fixed line) in Germany

	2014	2013	Change
Broadband connections (in million)	29.4	28.7	+ 2.4%
Broadband revenues (in € billion)	7.74	7.61	+ 1.7%
Data volume per connection and month (in GB)	26.7	20.9	+ 27.8%

Source: Dialog Consult / VATM; PricewaterhouseCoopers

Mobile internet market in Germany

The German mobile internet market continues to display dynamic growth. According to BITKOM figures, sales of mobile data services rose by 5.4% to € 9.7 billion in 2014.

According to forecasts of Dialog Consult / VATM, the average volume of data used (per connection and month) – as an indicator of the growing use of mobile data services – rose in the same period by 45.1% to 283 MB.

A major reason for this growth is the boom in smartphones, sales of which increased by a further 4.4% to 23.6 million in 2014 according to BITKOM.

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

	2014	2013	Change
Mobile internet revenues (in € billion)	9.7	9.2	+ 5.4%
Smartphone sales (in million units)	23.6	22.6	+ 4.4%
Data volume per connection and month (in MB)	283	195	+ 45.1%

Source: BITKOM / European Information Technology Observatory (EITO); Dialog Consult / VATM

Global cloud computing market

There was also further dynamic growth in the cloud computing market. In an update of its study “Forecast Analysis: Public Cloud Services, Worldwide” published in November 2014, Gartner forecast global growth for public cloud services of 17.9% in 2014, from $ 129.6 billion to $ 152.8 billion.

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

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

	2014	2013	Change
Global sales of public cloud services	152.8	129.6	+ 17.9%
thereof business process services (BPaaS)	37.0	33.7	+ 9.8%
thereof application services (SaaS)	26.7	21.7	+ 23.0%
thereof application infrastructure services (PaaS)	3.3	2.5	+ 32.0%
thereof system infrastructure services (IaaS)	12.5	9.2	+ 35.9%
thereof management and security services	4.4	3.4	+ 29.4%
thereof cloud advertising	68.9	59.2	+ 16.4%

Source: Gartner

Online advertising in Germany

In its study “German Entertainment and Media Outlook 2014 – 2018” of December 2014, PricewaterhouseCoopers expects (net) revenues of the German online advertising market to rise by 8.0% to around € 5.54 billion in 2014.

Mobile online advertising and video advertising are expected to grow stronger than average with growth of 42.9% and 22.7%, respectively.

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

	2014	2013	Change
Online advertising revenues	5.54	5.13	+ 8.0%
thereof search marketing	2.64	2.45	+ 7.8%
thereof display advertising	1.40	1.34	+ 4.5%
thereof affiliate / classifieds	0.94	0.91	+ 3.3%
thereof mobile online advertising	0.30	0.21	+ 42.9%
thereof video advertising	0.27	0.22	+ 22.7%

Source: PricewaterhouseCoopers

Legal conditions / significant events

In 2014, the legal parameters for United Internet's business activities remained largely unchanged from fiscal year 2013 and thus had no significant influence on the development of the United Internet Group.

There were also no significant events in fiscal 2014 which had a material effect on the development of business.

2.2 Business development

Actual and forecast development

United Internet can look back on a very successful fiscal year 2014. The forecasts published at the beginning of the year and updated during the year were met or exceeded.

In order to make the published forecasts and actual business performance comparable, the special items of fiscal year 2014 will first be discussed below.

In addition to scheduled organic growth, the development of customer, revenue and earnings figures in fiscal 2014 was influenced on the one hand by the customer, sales and earnings contribution of Versatel following its initial consolidation in the fourth quarter of 2014, and on the other by various positive one-off effects from the Versatel acquisition and optimization of our investment portfolio.

Customer, sales and earnings contribution of Versatel in Q4 2014

	Contribution
Sales	€ 130.6 million
EBITDA	€ 33.3 million
EPS	€ -0.01
Free cash flow[1]	€ 31.5 million
Customer contracts (as Dec. 31, 2014)	0.42 million

(1) Free cash flow is defined as net cash inflows from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment

Simplified view of positive one-off effects in 2014[1]

Versatel acquisition		
One-off income from Versatel acquisition, total, net	EBITDA effect	€ +112.0 million
	EPS effect	€ +0.45
Optimization of investment portfolio		
One-off income from optimization of investment portfolio, total, net	EBITDA effect	€ +74.1 million
	EPS effect	€ + 0.37
One-off effects 2014		
One-off income, total, net	EBITDA effect	€ +186.1 million
	EPS effect	€ +0.82

(1) For a detailed view of one-off effects please refer to section 2.3 “Position of the Group”

Without consideration of the stated customer, sales and earnings contribution of Versatel in the fourth quarter of 2014 and the positive one-off effects described above, the actual development of business compared to the forecast for 2014 was as follows:

Actual and forecast development of business 2014

	Actual figures 2013	1st forecast 2014 (03/2014)	2nd forecast 2014 (08/2014)	3rd forecast 2014 (11/2014)	Actual figures 2014[1]
Customer contracts	13.45 million	+ >0.8 million	+ ~0.9 million	+ ~0.9 million	+ 0.91 million = 14.36 million
Sales	€ 2.656 billion	+ ~10%	+ ~10%	+ ~10%	+ 10.5% = € 2.934 billion
EBITDA	€ 406.9 million[2]	~ € 520 million	~ € 520 million	~ € 520 million	€ 518.2 million
EPS	€ 1.07	€ 1.40-1.50	€ 1.40-1.50	€ 1.40-1.50	€ 1.47
Free cash flow[3]	€ 211.6 million[2]	> € 200 million	> € 200 million	> € 280 million	€ 355.1 million

(1) Without customer, sales and earnings contribution of Versatel in Q4 2014 and without positive one-off effects
(2) Adjusted retrospectively (see “New mandatory accounting standard” on page 47)
(3) Free cash flow is defined as net cash inflows from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment

There was organic growth in the number of fee-based **customer contracts** of 0.91 million in 2014 (forecast March 26, 2014: over 0.8 million / forecast August 13, 2014: approx. 0.9 million) to 14.36 million. Including a further 0.42 million contracts from the Versatel acquisition, the number of fee-based customer contracts rose in total by 1.33 million to 14.78 million.

Consolidated sales of traditional business activities reached a new record of € 2.934 billion in 2014 – representing a year-on-year increase of 10.5% (forecast: approx. 10%). In addition to this organic growth, new business activities (full consolidation of Versatel as of October 1, 2014) contributed a further € 130.6 million so that total consolidated sales rose by 15.4% to € 3.065 billion.

Despite the upgraded customer growth forecast in August 2014 (approx. 900,000 instead of previous >800,000) and the related increase in customer acquisition costs, the original earnings forecasts were also achieved.

EBITDA from traditional business activities increased by 27.4%, from € 406.9 million[2] to € 518.2 million (forecast: approx. € 520 million) and **EPS** by 37.4%, from € 1.07 to € 1.47 (forecast: € 1.40 – € 1.50). In addition to this organic growth, the initial consolidation of Versatel in the fourth quarter of 2014 resulted in a contribution of € 33.3 million to EBITDA and € -0.01 to EPS. All in all, EBITDA grew by 35.5% to € 551.5 million and EPS by 36.4% to € 1.46.

Including the stated one-off effects from the Versatel acquisition and the optimization of our investment portfolio, EBITDA rose by 81.3% to € 737.6 million and EPS by 113.1% to € 2.28.

Adjusted for the capital gains tax payment due to closing-date effects, as described below, **free cash flow**[4] improved strongly again in fiscal 2014 by 67.8%, from € 211.6 million[2] to € 355.1 million (forecast March 2014: >€ 200 million / forecast November 2014: >€ 280.0 million). In the fourth quarter of

2014, there was an additional free cash flow contribution from Versatel of € 31.5 million. As a result free cash flow rose in total to € 386.6 million.

Following the restructuring of the Group, an intra-group dividend was paid at the end of the year which resulted in a capital gains tax payment of € 335.7 million. The amount will be refunded immediately after the tax return of United Internet AG for 2014 has been processed. This is expected to be in April 2015.

Reconciliation of customer, sales and earnings figures

	Actual figures 2013	Actual figures 2014 – organic	Actual figures 2014 – organic incl. Versatel(1)	Actual figures 2014 – organic incl. Versatel and incl. one-off income(2)
Customer contracts	13.45 million	14.36 million	14.78 million	14.78 million
Sales	€ 2.656 billion	€ 2.934 billion	€ 3.065 billion	€ 3.065 billion
EBITDA	€ 406.9 million(3)	€ 518.2 million	€ 551.5 million	€ 737.6 million
EPS	€ 1.07	€ 1.47	€ 1.46	€ 2.28
Free cash flow(4)	€ 211.6 million	€ 355.1 million(5)	€ 386.6 million(5)	€ 386.6 million(5)

(1) Organic growth plus sales and earnings contribution of Versatel in Q4 2014
(2) Organic growth sales and earnings contribution of Versatel in Q4 2014 and plus positive one-off effects from portfolio optimization
(3) Adjusted retrospectively (see “New mandatory accounting standard” on page 47)
(4) Free cash flow is defined as net cash inflows from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment
(5) Without consideration of capital gains tax payment of € 335.7 million

Segment development

Access segment

The **Access segment** comprises the company's fee-based fixed-line and mobile access products, including the respective applications (such as home networks, online storage, telephony or video-on-demand). United Internet operates exclusively in Germany in this segment, where it is one of the leading providers. The company remains largely independent of network providers by purchasing standardized network services from various pre-service providers. These are enhanced with end-user devices, self-developed applications and services from the company's own "Internet Factories" in order to differentiate them from the competition. Access products are marketed by the well-known 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. With the complete takeover of Versatel on October 1, 2014, United Internet now also has its own network. With a length of around 39,000 km, it is Germany's second-largest fiber-optic network. With its own network infrastructure, United Internet also has the opportunity to source internally produced DSL pre-services in the future. Moreover, Versatel adds voice, data and network solutions for small and medium-sized companies, as well as infrastructure services for large corporations, to the existing product portfolio.

The wholly-owned Versatel Group was included in the customer, sales and financial figures of the "Access" segment for the first time on October 1, 2014.

In line with the dynamic development of customer figures and the initial consolidation of Versatel in the fourth quarter of 2014, **segment sales** grew strongly once again by in fiscal 2014 by 19.4%, from € 1,788.3 million to € 2,135.1 million (thereof € 130.6 million from the initial consolidation of Versatel). The segment's share of total Group sales amounted to 69.7%.

In the fiscal year 2014, segment earnings were affected by various one-off income amounts from the Versatel acquisition. In total, this **one-off income** contributed € 112.6 million to segment EBITDA and EBIT. Details on these one-off effects are provided in section 2.2 "Business development" under "Position of the Group" as well as in the notes to the consolidated financial statements in section 4 "Business combinations and investments".

Without consideration of these special items, earnings rose strongly again – despite heavy investment in customer growth and the full expensing of smartphone subsidies in the company's fast growing Mobile Internet business (+620,000 contracts in 2014 compared to +570,000 in the previous year). **Segment EBITDA** increased by 34.8%, from € 245.4 million in the previous year to € 330.8 million (thereof € 33.3 million from the initial consolidation of Versatel), while **segment EBIT** improved by 23.2% to € 267.8 million (thereof € 0.9 million from the initial consolidation of Versatel).

All **customer acquisition costs** for DSL and Mobile Internet products and costs for the conversion of resale DSL connections to complete packages (ULL) continue to be charged directly as expenses.

As a result of the Versatel acquisition, the number of **employees** in this segment rose strongly by 46.4% to 2,965 (prior year: 2,025).

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

	2014[1]	2013	Change
Sales	2,135.1	1,788.3	+ 19.4%
EBITDA	330.8	245.4	+ 34.8%
EBIT	267.8	217.4	+ 23.2%

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

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

	Q1 2014	Q2 2014	Q3 2014	Q4 2014[1]	Q4 2013	Change
Sales	477.2	495.3	509.2	653.4	466.4	+ 40.1%
EBITDA	55.3	72.7	85.9	116.9	69.5	+ 68.2%
EBIT	47.6	66.2	79.5	74.5	62.7	+ 18.8%

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

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

	2010	2011	2012	2013	2014[1]
Sales	1,230.1	1,368.0	1,586.1	1,788.3	2,135.1
EBITDA	122.6	152.3	191.8	245.4	330.8
EBITDA margin	10.0%	11.1%	12.1%	13.7%	15.5%
EBIT	92.0	122.2	164.3	217.4	267.8
EBIT margin	7.5%	8.9%	10.4%	12.2%	12.5%

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

The number of fee-based **Access contracts** rose by 1.25 million to 6.79 million contracts in fiscal year 2014. Of this figure, the segment added 620,000 new customer contracts in its Mobile Internet business and thus raised the number of customers to 2.60 million. There was also growth in the important complete DSL contract business with the addition of 710,000 customer contracts (thereof 420,000 contracts from Versatel acquisition) to reach a total of 3.89 million. As expected, however, the number of customer contracts for those business models being phased out (T-DSL and R-DSL) continued to fall in fiscal 2014 (-80,000 customer relationships). All in all, the total number of DSL contracts grew by 630,000 contracts to 4.19 million. As a result, United Internet easily outperformed the overall German broadband market (fixed-line) (5.9% organic and 17.7% including Versatel compared to 2.4% market growth).

Development of Access contracts in fiscal year 2014
(in million)

	Dec. 31, 2014	Dec. 31, 2013	Change
Access, total contracts [1]	6.79	5.54	+ 1.25
thereof Mobile Internet	2.60	1.98	+ 0.62
thereof DSL complete (ULL)[1]	3.89	3.18	+ 0.71
thereof T-DSL / R-DSL	0.30	0.38	– 0.08

(1) Dec. 31, 2014 including 420,000 DSL contracts from Versatel acquisition

Development of Access contracts in the fourth quarter of 2014
(in million)

	Dec. 31, 2014	Sep. 30, 2014	Change
Access, total contracts [1]	6.79	6.10	+ 0.69
thereof Mobile Internet	2.60	2.37	+ 0.23
thereof DSL complete (ULL)[1]	3.89	3.41	+ 0.48
thereof T-DSL / R-DSL	0.30	0.32	– 0.02

(1) Dec. 31, 2014 including 420,000 DSL contracts from Versatel acquisition

Applications segment

The **Applications segment** comprises the company's application business – whether ad-financed or via fee-based subscriptions. These applications include domains, home pages, webhosting, servers and e-shops, Personal Information Management applications (e-mail, to-do lists, appointments, addresses), group work, online storage and office software. The applications are developed by the company's "Internet Factories" or in cooperation with partner firms and operated at the company's seven data centers. In its Applications segment, United Internet is also a global player with activities in numerous European countries (Germany, France, the UK, Italy, Austria, Poland, Switzerland and Spain) as well as North America (Canada, Mexico and the USA). Applications are marketed to specific target groups via the differently positioned brands GMX, mail.com, WEB.DE, 1&1, Arsys, InterNetX, Fasthosts and united- domains. United Internet also offers its customers performance-based advertising and sales platforms on the internet via Sedo and affilinet.

In fiscal year 2014, **sales** of the Applications segment rose by 7.2%, from € 867.0 million to € 929.4 million. **Sales abroad** were raised by 16.2% to € 344.9 million (prior year: € 296.9 million) – partly due to the full consolidation of Arsys in fiscal year 2014. As a result, the segment accounted for around 30.3% of total Group sales.

Due to increasing contribution margins and reduced advertising spending, **start-up losses in the new business fields** (De-Mail and 1&1 MyWebsite) and for the "E-Mail made in Germany" initiative in cooperation with Deutsche Telekom fell to € 47.6 million in the reporting period (prior year: € 107.9 million).

Despite these persistently high investments, **segment EBITDA** increased by 35.5%, from € 168.7 million to € 228.6 million and **segment EBIT** by 67.4%, from € 102.1 million to € 170.9 million.

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

The number of **employees** in this segment grew by 3.5% to 4,829 (prior year: 4,664).

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

	2014	2013	Change
Sales	929.4	867.0	+ 7.2%
EBITDA	228.6	168.7	+ 35.5%
EBIT	170.9	102.1	+ 67.4%

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

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q4 2013	Change
Sales	232.6	228.3	227.8	240.7	234.0	+ 2.9%
EBITDA	58.6	54.8	58.2	57.0	56.9	+ 0.2%
EBIT	43.9	39.7	42.5	44.8	38.9	+ 15.2%

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

	2010	2011	2012	2013	2014
Sales	676.5	725.8	810.2	867.0	929.4
Start-up losses (1)	21.7	42.7	124.1	107.9	47.6
EBITDA	232.7	183.4	132.1	168.7	228.6
EBITDA margin	34.4%	25.3%	16.3%	19.5%	24.6%
EBIT(2)	177.3	125.0	66.6	102.1	170.9
EBIT margin	26.2%	17.2%	8.2%	11.8%	18.4%

(1) Start-up losses = EBITDA-effective start-up losses in new business fields; in 2014: De-Mail and 1&1 MyWebsite as well as the “E-Mail made in Germany” initiative
(2) 2012 without special items (Sedo impairment charges: EBIT effect: € -46.3 million)

In the Applications segment, United Internet made changes to sales and marketing measures for its Business Applications – as previously announced – during the fiscal 2014. As part of this change, there was less focus on new customer acquisition and more on the sale of additional features (e.g. further domains, e-shops and business apps) to existing customers.

Nevertheless, the number of fee-based **Business Applications contracts** rose by 80,000 contracts to 5.81 million in the reporting period. Contracts in Germany increased by 50,000 to 2.42 million, while contracts abroad rose by 30,000 to 3.39 million. The number of 1&1 MyWebsite contracts (formerly: 1&1 Do-It-Yourself Homepage) rose by 20,000 to 0.53 million. In addition, a total of 340,000 **nTLDs** were sold to new and existing customers – despite ICANN distribution delays. The focus on these measures is reflected by significantly improved earnings in this segment.

Development of Business Applications contracts in fiscal year 2014
(in million)

	Dec. 31, 2014	Dec. 31, 2013	Change
Business Applications, total contracts	5.81	5.73	+ 0.08
thereof “domestic”	2.42	2.37	+ 0.05
thereof “foreign”	3.39	3.36	+ 0.03

Development of Business Applications contracts in the fourth quarter of 2014
(in million)

	Dec. 31, 2014	Sep. 30, 2014	Change
Business Applications, total contracts	5.81	5.82	- 0.01
thereof “domestic”	2.42	2.43	- 0.01
thereof “foreign”	3.39	3.39	+/- 0.00

The number of **Consumer Accounts** rose by a total of 610,000 to 34.30 million in fiscal 2014, due in particular to the growth in **active free accounts** (+610,000 to 32.12 million). Fee-based **accounts with Premium Mail subscriptions** decreased by 30,000 to 1.84 million. This was mainly due to the expanded scope of services provided by competing, ad-financed free accounts. By contrast, fee-based **accounts with Value Added subscriptions** rose by 30,000 to 340,000. All in all, **fee-based Consumer Accounts** thus remained on a par with the prior-year figure.

As De-Mail became a standard feature of all free e-mail accounts in 2014 (instead of being an independent product with separate contract and usage-based fee), United Internet no longer discloses accounts with De-Mail functionality separately.

Development of Consumer Applications contracts in fiscal year 2014
(in million)

	Dec. 31, 2014	Dec. 31, 2013	Change
Consumer Applications, total accounts	34.30	33.69	+ 0.61
thereof with Premium Mail subscription	1.84	1.87	– 0.03
thereof with Value-Added subscription	0.34	0.31	+ 0.03
thereof free accounts	32.12	31.51	+ 0.61

Development of Consumer Applications contracts in the fourth quarter of 2014
(in million)

	Dec. 31, 2014	Sep. 30, 2014	Change
Consumer Applications, total accounts	34.30	33.99	+ 0.31
thereof with Premium Mail subscription	1.84	1.85	- 0.01
thereof with Value-Added subscription	0.34	0.34	+/- 0.00
thereof free accounts	32.12	31.80	+ 0.32

Group investments

United Internet continued to **expand its investment portfolio** in the fiscal year 2014. New strategic investments were made (ePages, uberall, Rocket Internet), while stakes in existing holdings were also increased (uberall, united-domains).

The shareholding in Versatel was raised from 25.1% to 100%. The share acquisition was made via the **complete takeover of the Versatel holding company** VictorianFibre Holding Beteiligungs-GmbH.

In fiscal 2014, United Internet took the opportunity to optimize its existing portfolio of investments. In the course of this **portfolio optimization**, the squeeze-out of Sedo Holding AG (still stock exchange-listed in the previous year) was completed and over 50 investments held via the GFC and EFF funds in the field of e-commerce, market-places and finance technology were contributed to the new investment Rocket Internet. Shares held in fun communications were sold in late 2014, as the company no longer matched United Internet AG's strategic investment focus.

In the course of the Versatel acquisition and portfolio optimization, various (in total) positive one-off amounts were recognized at Group and segment (Access) level. Further information is provided in this Management Report under sections 2.2 "Business development", "Actual and forecast development" and 2.3 "Position of the Group".

Significant changes in investments

Squeeze-out of Sedo Holding
United Internet subsidiary Sedo Holding AG (now Sedo Holding GmbH) held an extraordinary general meeting in Frankfurt am Main on February 3, 2014. At the meeting, shareholders approved the agenda item "Resolution on the transfer of shares held by the remaining shareholders (minority shareholders) of Sedo Holding AG to United Internet Ventures AG, with registered office in Montabaur (majority shareholder), in exchange for appropriate cash consideration pursuant to Secs. 327a ff. AktG (squeeze-out)". The District Court of Cologne entered this resolution in the Commercial Register on March 21, 2014. On entry of this transfer resolution, all shares of the minority shareholders of Sedo Holding AG were transferred by law to United Internet Ventures AG. Following the delisting of Sedo Holding AG shares on March 21, 2014, the admission for trading on the Regulated Market was revoked on March 27, 2014.

With the aid of the squeeze-out, United Internet aims to integrate the business fields operated by Sedo Holding – Affiliate Marketing and Domain Marketing – into the United Internet Group. In addition to the planned closer integration of Sedo activities with other business fields of the Group, United Internet also aims to make Sedo and affilinet more flexible and effective on the market with the aid of faster decision processes and to save costs relating to its stock market listing and mandatory disclosures.

Investment in ePages

On February 19, 2014, United Internet announced that it had acquired – via United Internet Ventures AG – a stake of 25.1% in the e-shop specialist ePages in the course of a capital increase.

Based in Hamburg, Germany, ePages GmbH is Europe's market leader in online shop software for small and mid-size companies with 120,000 customers. The cloud solution of ePages enables merchants with no prior experience to create professional online shops. The solutions are suitable for a variety of company sizes and are currently marketed via some 100 partner companies (hosting providers, telecommunication companies, business directories etc.). This enables partners to tap new e-business revenue streams without having to develop their own e-shop systems.

In addition to the equity stake, ePages and United Internet's subsidiary 1&1 have agreed a long-term cooperation contract for the use of ePages solutions. As part of this cooperation, there is now a joint technology platform for 1&1 E-Shops.

ePages posted a positive result in its fiscal year 2014.

Investment in uberall

On April 17, 2014, United Internet announced that it had acquired – via United Internet Ventures AG – a stake of 25% in uberall GmbH (formerly: favor.it labs GmbH), Berlin, operator of the online listing specialist uberall.com, in the course of a capital increase.

uberall brings together local companies and customers via the internet. On behalf of its customers, uberall ensures that companies can be found in all standard directories, online business directories, mobile apps and map services and that all company details are consistent. uberall also promotes improved customer dialogue with the aid of real-time notifications about reviews and enquiries on the affiliated portals.

In addition, United Internet subsidiary 1&1 signed a long-term cooperation agreement with uberall to use its solutions. As part of this cooperation, 1&1 uses uberall's cloud technology which offers all online listing functions freelancers and SMEs need for successful online operations.

In December 2014, United Internet raised its stake in uberall to 30.36% by exercising an option.

uberall is still in the start-up phase and posted a negative result in its fiscal year 2014.

Investment in Rocket Internet

On August 15, 2014, United Internet announced that it was investing a total of € 433 million – via its subsidiary United Internet Ventures AG – for a 10.7% stake in Rocket Internet AG, Berlin (hereinafter shortened to: Rocket). The investment cements the long-term strategic relationship between United

Internet and Oliver Samwer, Rocket's Chief Executive Officer and co-founder.

The investment consisted of € 333 million in cash and € 102 million from the contribution of United Internet's investments in the portfolio companies of the Global Founders Capital Funds (GFC; Global Founders Capital No. 1 and European Founders Fund No. 2 and No. 3). The portfolio comprised over 50 investments held jointly by United Internet and Global Founders Fund GmbH, the private investment company of Oliver Samwer and his brothers. Ralph Dommermuth, CEO of United Internet, was also appointed to Rocket's nine-person Supervisory Board.

Rocket Internet identifies and builds proven internet business models and transfers them to new, underserved or untapped markets where it seeks to scale them into market-leading online companies. It aims to become the world's largest internet platform outside of China and the United States. Rocket is focused on online business models that satisfy basic consumer needs across three sectors: e-commerce, online marketplaces and financial technology.

Rocket started in 2007 and now has more than 25,000 employees across its network of companies, which operate in more than 100 countries on five continents. The company's target markets are located mainly in the emerging markets of Latin America, the Middle East, Africa and Asia, as well as in Russia. These markets are generally characterized by fast-growing smartphone penetration, younger populations than developed markets, newly evolving middle classes, and limited access to physical retail infrastructure.

United Internet has been successfully investing in consumer internet and technology businesses together with the Samwer brothers since 2007. With its strategic investment in Rocket, United Internet has pooled all its investments in the field of e-commerce, marketplaces and financial technology in one place.

By contributing its shares in the investment funds to Rocket, United Internet recognized one-off, non-cash income of € 75.7 million (EBITDA and EBIT effect) in fiscal 2014.

Rocket's initial public offering (IPO) on the Frankfurt Stock Exchange was held on October 2, 2014. In the course of the capital increase held together with the IPO, United Internet's investment was diluted to 8.18%. As of December 31, 2014, the company's market capitalization amounted to around € 7.869 billion.

100% acquisition of Versatel

On September 3, 2014, United Internet announced that it had signed an agreement with the private equity company Kohlberg Kravis Roberts & Co. L.P. (KKR) to acquire the 74.9% of shares in the Versatel Group held indirectly by funds managed by KKR and thus to raise its holding of Versatel shares to 100%. The share purchase was effected via a complete takeover of Versatel's holding company VictorianFibre Holding Beteiligungs-GmbH.

United Internet had held an indirect stake in Versatel of 25.1% since the end of 2012. For the remaining 74.9% of shares, United Internet paid around € 593 million in cash. The purchase price and repayment of the Versatel Group's existing net bank liabilities of € 377 million was financed by new loans.

In cooperation with staff and KKR, the current Versatel management team has developed a profitable company over the past few years. This positive trend was also accompanied by United Internet via the company's Advisory Board.

With the acquisition of Versatel, United Internet has gained access to Germany's second-largest fiber-optic network with a length of around 39,000 km. It can be accessed in 226 cities, including 19 of the 25 largest cities in Germany. Over 5,400 locations (companies, institutions etc.) are directly connected to Versatel's fiber-optic network. In addition, Versatel operates approx. 420,000 ADSL and SDSL connections. United Internet has thus strengthened its market position as Germany's second-largest DSL provider after Deutsche Telekom. Versatel's current management team will continue to head the company on its own. The Versatel brand will be retained and the company's B2B business is to be expanded further. In addition, corporate clients are also to be gained in future via the United Internet brand 1&1. United Internet is also planning to source DSL pre-services produced by Versatel in the future.

Following the approval of the relevant antitrust authorities, the transaction was completed on October 1, 2014. In the financial statements for the first nine months, the 25.1% investment in Versatel previously held by United Internet was carried at € 66 million. As of the fourth quarter of 2014, Versatel has been included in the consolidated financial statements of United Internet as a wholly-owned subsidiary. After consideration of transaction costs, the accounting change resulted in one-off, non-cash income of € 112.0 million (EBITDA and EBIT effect) in the fourth quarter of 2014.

Sale of shares in fun communications

In December 2014, United Internet sold its stake in fun communications GmbH (49.00%) to the company's management.

united-domains stake increased to 100%

Also in December 2014, United Internet raised its shareholding in united-domains AG from 85% to 100%. The remaining shares were acquired from the company's management by exercising an option agreed on the purchase of the 85% stake (early 2009).

In addition to these investments and its (fully consolidated) core operating brands in the Access and Applications segments, United Internet also held investments in the following companies as of December 31, 2014.

Investments in listed companies

United Internet has held an investment in **Goldbach Group AG**, Küsnacht-Zurich / Switzerland since 2007. As of December 31, 2014 its share of voting rights was 14.96%. The company's market capitalization as of December 31, 2014 amounted to around € 90 million (compared to € 111 million in the previous year).

United Internet has held a stake in **Hi-Media S. A.**, Paris / France since the transfer of the Group's Display Marketing business "AdLINK Media" to Hi-Media in mid 2009. As of December 31, 2014, this shareholding amounted to 10.50%. The company's market capitalization as of December 31, 2014 amounted to around € 113 million (prior year: € 85 million).

Together with the investment in **Rocket Internet AG** (8.18%) made in August 2014, United Internet thus holds stakes in three listed companies. The **stock market value of United Internet's share** in the three companies at the end of the reporting period on December 31, 2014 amounted to around € 669 million.

Further significant investments

In addition to the investments in **ePages GmbH** (25.1%) and **uberall GmbH** (30.36%) made in fiscal 2014, United Internet holds minority shareholdings in three further companies.

United Internet has held a significant stake in **Virtual Minds AG** (48.65%) since February 2008. Virtual Minds (also an adserving supplier of United Internet portals via the brand ADITION Technologies) generated a further positive result in its fiscal year 2014.

In November 2010, United Internet acquired a 30.02% shareholding in the IaaS specialist **ProfitBricks GmbH**. ProfitBricks is still developing its brand and client base and closed its fiscal year 2014 with a negative result.

In July 2013, United Internet acquired 28.36% of shares in the e-mail and collaboration specialist **Open-Xchange AG**. United Internet has already been working successfully with the company for many years in its Applications business. Open-Xchange closed its fiscal year 2014 with a slightly negative result.

Share and dividend

Share

On the back of very strong company progress and accompanied by an upbeat mood on the stock markets, the United Internet AG share continued its good performance of the previous years and closed 2014 at a new all-time high.

Specifically, the United Internet **share** grew by 21.2% to € 37.49 in fiscal 214 (December 31, 2013: € 30.92). The share's performance thus exceeded that of the DAX (+2.7%) and TecDAX (+17.5%) indices.

There was a corresponding increase in the **market capitalization** of United Internet AG from around € 6.00 billion in the previous year to € 7.69 billion as of December 31, 2014. In fiscal year 2014, average daily trading via the XETRA electronic computer trading system amounted to 421,000 shares (prior year: 367,000) with an average value of € 13.73 million (prior year: € 8.55 million).

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

	2010	2011	2012	2013	2014
Year-end	12.17	13.80	16.31	30.92	37.49
Performance	+ 32.0%	+ 13.4%	+ 18.2%	+ 89.6%	+ 21.2%
Year-high	13.61	14.79	17.55	31.00	37.95
Year-low	8.60	10.58	12.49	16.11	29.28
Average daily turnover	8,659,606	7,974,042	4,906,732	8,554,509	13,731,799
Average daily turnover (units)	796,493	613,960	332,898	367,102	420,640
Number of shares at year-end	240 million	215 million	215 million	194 million	205 million
Market value at year-end	2.92 billion	2.97 billion	3.51 billion	6.00 billion	7.69 billion
Earnings per share (EPS)	0.58	0.79	0.56	1.07	2.28
Adjusted earnings per share(1)	0.58	0.72	0.70	1.07	1.46

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

Share data

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

Shareholder structure

Shareholder	Shareholding
Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft	39.02%
RD Holding GmbH & Co. KG (Ralph Dommermuth)	0.98%
Blackrock	3.04%
Allianz Global Investors	3.00%
United Internet	0.60%
Free float	53.36%

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

Dividend

In fiscal year 2014, United Internet AG continued to pursue its shareholder-friendly dividend policy based on continuity. The Annual Shareholders' Meeting of United Internet AG on May 22, 2014 voted to accept the proposal of the Management Board and Supervisory Board to pay a **dividend** of € 0.40 per share for fiscal year 2013. The total dividend payment of € 77.3 million (prior year: € 58.0 million) was made on May 23, 2014. At 37.3%, the dividend payout ratio based on consolidated earnings after tax was thus at the upper end of the 20-40% of adjusted consolidated net income targeted by the company’s dividend policy (unless funds are required for further company development).

For fiscal year 2014, the Management Board will propose to the Supervisory Board a dividend of € 0.60 per share. The Management Board and Supervisory Board will discuss this **dividend proposal** at the Supervisory Board meeting on March 25, 2015 (and thus after the editorial deadline for this Management Report). The Annual Shareholders' Meeting on May 21, 2015 will vote on the joint proposal of the Management Board and Supervisory Board.

On the basis of 203.8 million shares with dividend entitlement (as of December 31, 2014), the total dividend payment for fiscal year 2014 would amount to

€ 122.3 million. This would correspond to 43.0% of consolidated net income after tax for 2014 (€ 284.7 million without special items from Versatel acquisition and optimization of investment portfolio). Based on the year-end 2014 price of the United Internet share, the dividend yield amounts to 1.6%.

Dividend development

	For 2010	For 2011	For 2012	For 2013	For 2014[1]
Dividend per share (in €)	0.20	0.30	0.30	0.40	0.60
Dividend payment (in € million)	42.0	58.1	58.0	77.5	122.3
Payout ratio	32.4%	35.8%	53.6%	37.4%	27.3%
Adjusted payout ratio[2]	32.4%	35.8%	37.5%	37.4%	43.0%
Dividend yield[3]	1.6%	2.2%	1.8%	1.3%	1.6%

(1) Subject to approval of Supervisory Board and Annual Shareholders' Meeting 2015
(2) Without special items: Sedo impairment charges (2012); one-off income from Versatel acquisition and portfolio optimization (2014)
(3) As of: December 31

Annual Shareholders' Meeting 2014

The Annual Shareholders' Meeting of United Internet AG was held in Frankfurt am Main on May 22, 2014. A total of 69% of capital stock was represented. The shareholders adopted all resolutions on the agenda requiring voting with large majorities.

Capital stock and treasury shares

The company’s Management Board resolved on June 13, 2014 to launch a new **share buyback program**. In the course of this share buyback program, up to 2,000,000 company shares can be bought back via the stock exchange. The buyback is based on the authorization of the Annual Shareholders’ Meeting of May 22, 2014 to buy back treasury shares representing up to 10% of the company’s capital stock. The authorization was issued for the period up to September 22, 2017. In the fiscal year 2014, United Internet bought a total of 1,295,735 treasury shares, which were used in part for employee stock ownership plans. As of December 31, 2014, United Internet held 1,232,338 treasury shares (December 31, 2013: 244,265), corresponding to 0.60% of current capital stock of € 205 million.

On September 15, 2014, the Management Board of United Internet AG, with the approval of the Supervisory Board, resolved on a **capital increase** against cash contributions through partial use of Authorized Capital. In a private placement, the new shares were placed exclusively with institutional investors by way of an accelerated bookbuilding placement. The private placement began on September 15, 2014 and ended on September 16, 2014. As a result of the capital increase, the company’s share capital was raised from € 194 million to € 205 million. The 11 million new ordinary registered shares (no-par value shares) were placed at a price of € 32.00 per share. United Internet AG generated gross proceeds of around € 352.0 million from the issue (before commissions and expenses). The net proceeds of the capital increase raise the company’s financial flexibility from corporate financing. The new shares were admitted to trading without a prospectus on September 17, 2014 and included in the existing quotation in the sub-segment of the Regulated Market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange. The new shares carry full dividend rights as of January 1, 2014.

Investor Relations

In fiscal 2014, the Management Board and Investor Relations department of United Internet AG provided institutional and private investors with regular and comprehensive information. Information was provided to the capital market via the quarterly and annual reports, as well as at press and analyst conferences. The company’s management and Investor Relations department explained the company’s strategy and financial results in numerous one-on-one discussions at the company’s offices in Montabaur, as well as at roadshows and conferences in Germany, France, UK, Switzerland and the USA. Around 20 national and international investment banks are in contact with the company’s Investor Relations department and publish regular studies and comments on the company’s progress and share performance. Apart from such one-on-one meetings, shareholders and potential future investors can also receive the latest news on the company around the clock via the company’s website (www.united-internet.de).

2.3 Position of the Group

Group's earnings position

On the back of successful business and the initial consolidation of Versatel in the fourth quarter of 2014, consolidated **sales** of United Internet AG grew by 15.4% from € 2,655.7 million in the previous year to € 3,065.0 million (thereof € 130.6 million from the Versatel consolidation) in fiscal year 2014. Sales of the Access segment improved by 19.4%, from € 1,788.3 million in the previous year to € 2,135.1 million, while sales in the Applications segment grew by 7.2%, from € 867.0 million to € 929.4 million. **Foreign sales** increased by 16.2% from € 296.9 million in the previous year to € 344.9 million.

United Internet once again invested heavily in new customer relationships in its fiscal year 2014. The number of fee-based **customer contracts** was increased by 0.91 million – or including the Versatel takeover by 1.33 million – (prior year: 1.41 million incl. Arsys acquisition) to a total of 14.78 million contracts. Ad-financed accounts rose by 0.61 million to 32.12 million.

In the Access segment, a **marketing campaign** for DSL premium tariffs was conducted in the first half 2014. As part of this campaign, new and existing customers (when changing to a premium tariff) were able to opt for the addition of a heavily subsidized (or even free) brand-name tablet. A total of around € 20.6 million was expensed in total for this campaign.

As a result of increasing contribution margins and reduced advertising spending, **start-up losses** in new business fields (De-Mail, 1&1 MyWebsite) and for the "E-Mail made in Germany" initiative of the Applications segment were reduced to € 47.6 million in the reporting period (prior year: € 107.9 million)

Gross margin declined from 34.4% in the previous year to 33.6% in fiscal 2014. In the Access segment, this was mainly due to increased cost of goods for consumer products caused by strong customer growth, as well as the changed product and margin mix following the consolidation of Versatel's business products. The increase in cost of goods for consumer products resulted in particular from the recognition of smartphone subsidies for the fast growing Mobile Internet business (+620,000 contracts compared to +570,000 in the previous year), as well as the expensing of tablet subsidies as part of the above mentioned DSL marketing campaign. **Gross profit** rose by 12.9%, from € 912.9 million(1) to € 1,030.5 million.

Despite strong customer growth in the Access segment, **sales and marketing expenses** remained on a par with the previous year at € 481.3 million (15.7% of sales) – due in particular to reduced advertising spending in new business fields (prior year: € 481.4 million(1); 18.1% of sales).

General and administrative expenses rose in line with sales from € 120.4 million(1) in the previous year (4.5% of sales) to € 136.9 million (4.5% of sales) in fiscal 2014.

Development of key cost items
(in € million)

	2010	2011	2012	2013	2014
Cost of sales	1,226.2	1,375.7	1,574.7	1,742.8[1]	2,034.5
Cost of sales ratio	64.3%	65.7%	65.7%	65.6%	66.4%
Gross margin	35.7%	34.3%	34.3%	34.4%	33.6%
Selling expenses	306.2	356.8	461.7	481.4[1]	481.3
Selling expenses ratio	16.1%	17.0%	19.3%	18.1%	15.7%
Administrative expenses	94.7	102.8	112.1	120.4[1]	136.9
Administrative expenses ratio	5.0%	4.9%	4.7%	4.5%	4.5%

[1] Adjusted retrospectively (see "New mandatory accounting standard" on page 47)

In addition to the earnings contribution of Versatel from initial consolidation in the fourth quarter of 2014, consolidated earnings were influenced by various (net) **positive special items** in fiscal 2014 from the Versatel acquisition and optimization of the investment portfolio (especially the contribution of the GFC and EFF investments to Rocket Internet). This one-off income increased EBITDA and EBIT by € 186.1 million, EBT by € 166.0 million, consolidated net income by € 162.7 million, and EPS by € 0.82.

Positive one-off effects for the Group in 2014

Effects from Versatel acquisition		
One-off income from Versatel acquisition, total, net	EBITDA effect	€ +112.0 million
	EBIT effect	€ +112.0 million
	EBT effect	€ +91.9 million
	Net income effect	€ +89.2 million
	EPS effect	€ +0.45
Effects from optimization of investment portfolio		
One-off income from optimization of investment portfolio, total, net	EBITDA effect	€ +74.1 million
	EBIT effect	€ +74.1 million
	EBT effect	€ +74.1 million
	Net income effect	€ +73.5 million
	EPS effect	€ +0.37 €
One-off effects at Group level, total		
One-off income, total, net	EBITDA effect	€ +186.1 million
	EBIT effect	€ +186.1 million
	EBT effect	€ +166.0 million
	Net income effect	€ +162.7 million
	EPS effect	€ +0.82

Without consideration of these one-off effects, **EBITDA** rose by 35.5%, from € 406.9 million(2) to € 551.5 million (thereof € 33.3 million from the Versatel consolidation) and **EBIT** by 37.9%, from € 312.2 million(2) to € 430.6 million (thereof € 0.9 million from Versatel consolidation).

EBT was raised by 39.3%, from € 296.4 million(2) to € 412.9 million (thereof € -0.7 million from Versatel consolidation) and **consolidated net income** by 37.5%, from € 207.0 million(2) to € 284.7 million (thereof € -2.6 million from the Versatel consolidation). **EPS** improved accordingly by 36.4%, from € 1.07 in the previous year to € 1.46 (thereof € -0.01 from the Versatel consolidation).

Including one-off income from the Versatel acquisition and the optimization of the investment portfolio, EBITDA rose by 81.3% to € 737.6 million, EBIT by 97.5% to € 616.7 million, EBT by 95.3% to € 578.9 million, consolidated net income by 116.1% to € 447.4 million, and EPS by 113.1% to € 2.28.

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

	2014	2013	Change
Sales	3,065.0	2,655.7	+ 15.4%
EBITDA	551.5(1)	406.9(2)	+ 35.5%
EBIT	430.6(1)	312.2(2)	+ 37.9%

(1) 2014 without one-off income from Versatel acquisition and portfolio optimization (EBITDA and EBIT effect: € +186.1 million)
(2) Adjusted retrospectively (see "New mandatory accounting standard" on page 47)

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

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q4 2013	Change
Sales	709.9	723.7	737.3	894.1	700.6	+ 27.6%
EBITDA	112.1	125.5	142.2(1)	171.7(2)	126.4(3)	+ 35.8%
EBIT	89.7	103.8	120.2(1)	116.9(2)	101.6(3)	+ 15.1%

(1) Q3 2014 without one-off income from contribution of GFC investments to Rocket (EBITDA and EBIT effect: € +71.5 million)
(2) Q4 2014 without one-off income from Versatel acquisition and portfolio optimization (EBITDA and EBIT effect: € +114.6 million)
(3) Adjusted retrospectively (see "New mandatory accounting standard" on page 47)

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

	2010	2011	2012	2013	2014
Sales	1,907.1	2,094.1	2,396.6	2,655.7	3,065.0
Start-up losses(1)	21.7	42.7	124.1	107.9	47.6
EBITDA(2)	357.7	341.8	325.9	406.9(3)	551.5
EBITDA margin	18.8%	16.3%	13.6%	15.3%	18.0%
EBIT(2)	271.5	253.0	232.7	312.2(3)	430.6
EBIT margin	14.2%	12.1%	9.7%	11.8%	14.0%

(1) Start-up losses = EBITDA-effective start-up losses in new business fields; in 2014: De-Mail and 1&1 MyWebsite as well as the "E-Mail made in Germany" initiative
(2) Without special items: 2011 without sale of Versatel shares (EBITDA and EBIT effect: € +23.0 million); 2012 without Sedo impairment charges (EBIT effect: € -46.3 million) and sale of freenet shares (EBITDA and EBIT effect: € +17.9 million); 2014 without one-off income from Versatel acquisition and portfolio optimization (EBITDA and EBIT effect: € +186.1 million)
(3) Adjusted retrospectively (see "New mandatory accounting standard" on page 47)

Group's financial position

Thanks to the positive development of earnings, **operative cash flow** rose from € 280.1 million in the previous year to € 380.6 million in fiscal year 2014.

Following the restructuring of the Group, an intra-group dividend was paid at the end of the year which resulted in a capital gains tax payment of € 335.7 million. The amount will be refunded immediately after the tax return of United Internet AG for 2014 has been processed. This is expected to be in April 2015. Without consideration of this capital gains tax payment due to closing-date effects, **net cash inflows from operating activities** increased from € 268.3 million(1) in the previous year to € 454.0 million – despite the expansion of business (sales growth of 15.4%).

Net cash outflows from investing activities amounted to € 1,349.8 million in the reporting period (prior year: € 207.8 million). This resulted mainly from disbursements of € 72.3 (prior year: € 59.9 million) for capital expenditures, as well as from payments for the acquisition of shares in affiliated companies of € 942.2 million (Versatel acquisition), payments for the acquisition of shares in associated companies of € 23.1 million (investment in ePages and uberall as well as investments via Global Founders Capital No. 1), and investments in other financial assets of € 334.7 million (mainly for the investment in Rocket Internet). Apart from capital expenditures (€ 59.9 million), net cash outflows from investing activities in the previous year resulted mainly payments for the acquisition of shares in affiliated companies of € 130.1 million (Arsys takeover), and payments for the acquisition of shares in associated companies of € 22.7 million (especially Open-Xchange investment).

Free cash flow (i.e. net cash inflows from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment) amounted to € 386.6 million (adjusted for the capital gains tax payment due to closing-date effects) – compared to € 211.6 million(1) in the previous year. This demonstrates the Group's ability to consistently generate high, and increasing, levels of cash while at the same time achieving strong qualitative growth.

Net cash flow for financing activities in fiscal year 2014 was dominated by an outflow for the dividend payment of € 77.3 million (prior year: € 58.0 million), the purchase of treasury shares amounting to € 38.8 million (prior year: € 27.7 million), the purchase of further shares in affiliated companies (Sedo Holding, united-domains) amounting to € 20.0 million (prior year: € 11.9 million) and – opposing – net proceeds from the capital increase in September 2014 amounting to € 348.3 million and the net assumption of loans totaling € 1,034.0 million (prior year: € 39.8 million).

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

	2010	2011	2012	2013	2014
Operative cash flow	238.1	211.9	214.1	280.1(1)	380.6
Cash flow from operating activities	290.4	194.8	260.5	268.3(1)	454.0(2)
Cash flow from investing activities	-71.2	2.0	1.9	-207.8	-1,349.8
Free cash flow(3)	219.7	142.3	204.7	211.6(1)	386.6(2)
Cash flow from financing activities	-240.5	-228.0	-284.4	-59.2	1,240.9
Cash and cash equivalents on December 31	96.1	64.9	42.8	42.8(1)	50.8

(1) Adjusted retrospectively (see "New mandatory accounting standard" on page 47)
(2) Without consideration of capital gains tax payment due to closing-date effects of € 335.7 million
(3) Free cash flow is defined as net cash inflows from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment

Group's asset position

Due in particular to the initial consolidation of Versatel and the investment in Rocket Internet, the **balance sheet total** rose from € 1.270 billion(1) as of December 31, 2013 to € 3.673 billion on December 31, 2014.

Non-current assets increased from € 970.9 million(1) as of December 31, 2013 to € 2,929.2 million on December 31, 2014. Within this item, additions to **property, plant and equipment and intangible assets** of € 78.0 million (mainly for furniture and fixtures, as well as software) were opposed by depreciation and amortization of € 120.9 million. The strong year-on-year increase in both items results from the infrastructure added in the course of the Versatel acquisition. There was also a strong rise in **goodwill from** € 452.8 million to € 977.0 million resulting from the Versatel acquisition. Despite investments in ePages and uberall, **shares in associated companies** fell from € 115.3 million(1) as of December 31, 2013 to € 34.9 million due to the contribution of shares in GFC and EFF funds to Rocket Internet (now disclosed in other financial assets) as well as the disposal of shares in the former Versatel holding company VictorianFibre Holding & Co. S.C.A. (in the course of the complete Versatel takeover). **Other financial assets** rose € 47.6 million(1) to € 695.3 million, mainly as a result in the investment in Rocket Internet. **Trade**

accounts receivable of € 23.5 million result from the often very long-term contractual relationships in Versatel's business (finance leases). **Prepaid expenses**, which mainly comprise advance payments made in the course of long-term purchasing agreements, rose from € 7.3 million to € 37.1 million.

Current assets increased from € 299.3 million(1) on December 31, 2013 to € 744.2 million on December 31, 2014. **Cash and cash equivalents** disclosed under current assets rose from € 42.8 million(1) to € 50.8 million in fiscal 2014. As a result of the initial consolidation of Versatel, **trade accounts receivable** increased from € 135.5 million to € 193.1 million. The same applies to **prepaid expenses**, which rose from € 53.3 million to € 66.6 million. **Other non-financial assets** increased from € 4.7 million in the previous year to € 377.5 million and are mainly due to receivables from the tax office (capital gains tax refund: € 335.7 million).

In fiscal 2014, **non-current liabilities** rose from € 358.8(1) million to € 1,581.1 million. The refinancing of the Versatel acquisition and investment in Rocket Internet led to an increase in long-term **bank liabilities** from € 317.0 million to € 1,343.9 million. **Deferred tax liabilities** rose in connection with the Versatel acquisition from € 25.4 million to € 73.6 million. **Deferred revenue** of € 24.3 million (prior year: € 0) and **other accruals** of € 35.9 million (prior year: € 0) result from the often very long-term contractual relationships in Versatel's business. The rise in **other financial liabilities** of € 16.3 million to € 99.2 million results mainly from financial leasing obligations (IRUs / network rentals) from the Versatel business.

In fiscal 2014, **current liabilities** increased from € 603.7(1) million to € 887.6 million. As a result of closing-date effects, as well as the expansion of business and the initial consolidation of Versatel, current **trade accounts receivable** rose from € 260.2 million to a total of € 356.1 million. **Tax accruals** increased from € 22.2 million to € 139.2 million. **Deferred revenue** was up from € 183.7 million to € 210.6 million due to the expansion of business. The increase in **other financial liabilities** from € 53.2 million to € 94.8 million is mainly due to closing-date effects and the expansion of business.

As a result of the successful development of business and the capital increase, the Group's **equity capital** rose from € 307.9 million to € 1,204.7 million. The **equity ratio** improved from 24.2% as of December 31, 2013 to 32.8% as of December 31, 2014. At the end of the reporting period on December 31, 2014, United Internet held 1,232,338 **treasury shares** (December 31, 2013: 244,265 treasury shares).

Net bank liabilities (the balance of bank liabilities and cash and cash equivalents) increased from € 297.2 million[1] to € 1,323.2 million. This rise was mostly due to the refinancing of the Versatel acquisition, the investment in Rocket Internet, and closing-date effects from the capital gains tax payment.

Development of relative indebtedness

	2010	2011[2]	2012	2013	2014[3]
Net bank liabilities[4] / EBITDA	0.76	1.26	0.75	0.73	1.79
Net bank liabilities[4] / free cash flow[5]	1.24	3.23	1.26	1.40	3.42

(1) Adjusted retrospectively (see “New mandatory accounting standard” on page 47)
(2) 2011: increase in net bank liabilities due to share buyback
(3) 2014: increase in net bank liabilities mainly due to Versatel acquisition, Rocket investment and closing-date effects from capital gains tax payment
(4) Net bank liabilities = balance of bank liabilities and cash and cash equivalents
(5) Free cash flow = net cash inflows from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment; free cash flow 2014 without consideration of closing-date effects from capital gains tax payment

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

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

	2010	2011	2012	2013[1]	2014
Total assets	1,271.3	1,187.0	1,107.7	1,270.3	3,673.4
Cash and cash equivalents	96.1	64.9	42.8	42.8	50.8
Shares in associated companies	84.1	33.6[2]	90.9[2]	115.3	34.9
Property, plant and equipment	108.7	110.9	109.2	116.2	689.3
Intangible assets	221.4	187.4	151.8	165.1	385.5
Goodwill	402.9	401.3	356.2[3]	452.8[3]	977.0
Liabilities due to banks	369.4	524.6[4]	300.3[4]	340.0	1,374.0
Capital stock	240.0	215.0[5]	215.0	194.0[5]	205.0[5]
Treasury stock	241.0	270.8	263.6	5.2[5]	35.3
Equity	382.4	154.8[6]	198.1	307.9	1,204.7
Equity ratio	30.1%	13.0%	17.9%	24.2%	32.8%

(1) Adjusted retrospectively (see “New mandatory accounting standard” on page 47)
(2) Sale of Versatel shares (2011); repurchase of Versatel shares via Versatel’s holding company (2012)
(3) Decrease due to impairment charges for Sedo Holding (2012); increase due to Arsys acquisition (2013)
(4) Increase due to share buybacks; decrease due to repayment of loans
(5) Decrease due to share cancellations (2011, 2013); increase due to capital increase (2014)
(6) Decrease due to share buybacks

New mandatory accounting standard

The risk-opportunity approach previously specified by SIC-12 is no longer relevant for the purpose of assessing the existence of control under IFRS 10. The amendments meant that shares in the special-purpose vehicles European Founders Fund No. 2 and No. 3 (since contributed to Rocket Internet AG), which were fully consolidated until December 31, 2013, were regarded as associates on initial application of IFRS 10 and accounted for in the consolidated financial statements using the equity method. IFRS 10 must be applied retrospectively, i.e. prior-year figures have been adjusted accordingly. The new mandatory accounting standard did not have any impact on net income for the period or the company's equity. Further details are provided in the notes to the consolidated financial statements.

Management Board's overall assessment of the current business situation

The macroeconomic conditions in the main target countries of the United Internet Group varied strongly during the reporting period. Whereas the economies of our North American target countries Mexico and the United States lagged behind the IMF's original forecast, Canada was able to exceed expectations. There was a similar development in United Internet's European markets. Although France and Italy fell short of expectations, Spain and the UK exceeded them. United Internet's most important market, Germany, developed in line with expectations.

With growth of 1.5% in fiscal year 2014, the German ICT market performed slightly worse than originally expected (1.7%).

Despite differing economic trends in the target countries, and a slightly poorer-than-expected sector trend, United Internet enjoyed further dynamic growth in fiscal year 2014 with the addition of 1.33 million customer contracts to 14.78 million, revenue growth of 15.4% to € 3,065 billion and an increase in EBITDA of 35.5% to € 551.5 million. With the milestones in customer contracts, sales and earnings reached in fiscal year 2014, United Internet was able to meet the forecasts it had upgraded during the year and even surpass them in some cases.

At the same time, the company once again invested heavily in new customer acquisition, the expansion of existing customer relationships, and in new business fields in order to pave the way for future growth. In addition to these foundations in its operating business, United Internet also tapped further growth potential with the complete takeover of Versatel and the access this provides to Germany's second-largest fiber-optic network.

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

The financial position of United Internet AG continued to improve in fiscal year 2014. Free cash flow increased to € 386.6 million – compared to € 211.6 million in the previous year. This once again underlines the Group's ability to generate very healthy levels of cash while at the same time achieving strong qualitative growth.

The change in the Group's asset position was due in particular to the complete acquisition of Versatel and the investment in Rocket Internet AG.

All in all, the Management Board believes that the United Internet Group is well placed for its further corporate development and is optimistic about its future prospects.

2.4 Position of the company

Earnings of United Internet AG

In the period under review, **sales** of United Internet AG amounted to € 6.3 million (prior year: € 5.0 million) and mostly comprised services and rent charged to the Group's subsidiaries.

Due to the transfer of staff from United Internet AG to a subsidiary and prior-year expenses for existing share price- based remuneration programs, **personnel expenses** in fiscal 2014 are not comparable with the previous year. Adjusted for the effect from employee stock ownership programs, personnel expenses in the reporting period amounted to € 1.6 million (prior year: € 3.2 million).

Other operating expenses result from legal, auditing and consulting fees, Supervisory Board compensation, and expenses for investor relations, marketing and press relations. In the reporting period, there were additional expenses of € 3.7 million for the capital increase conducted in September 2014. In total, other operating expenses amounted to € 7.2 million (prior year: € 4.3 million).

Income from profit transfer agreements with 1&1 Internet AG, 1&1 Telecommunication AG, and United Internet Ventures AG totaled € 1,572.8 million in the reporting period (prior year: € 272.2 million). This amount includes a special dividend payout of € 1,272.8 million made by 1&1 Telecom Holding GmbH.

Expenses for loss assumptions of € 5.7 million (prior year: € 24.0 million) mainly comprise the compensation expense of United Internet Corporate Services GmbH and 1&1 Telecommunication Holding SE.

The parent company's **result from ordinary activities** amounted to € 1,533.0 million (prior year: € 208.7 million).

Income taxes of € 53.4 million include an amount of € 32.7 million for current taxes in 2014, of which € 22.4 million relates to corporate income tax and the solidarity surcharge, € 10.3 million to trade tax, and € 2.8 million to deferred taxes. Due to the results of the tax audit for 2006 to 2008 and the resulting consequential effects for assessments in future years, there were out-of-period tax expenses of € 17.9 million.

The parent company posted **net income** of € 1,479.6 million (prior year: € 110.4 million). Due in particular to the special dividend payout, net income is not comparable with the previous year.

Assets and financial position of United Internet AG

The parent company's **balance sheet total** rose from € 1,299.8 million on December 31, 2013 to € 4,514.6 million on December 31, 2014.

Fixed assets are dominated by **shares in affiliated companies** amounting to € 1,214.5 million (prior year: € 1,097.6 million), as well **loans to affiliated companies** of € 1,037.3 million (prior year: € 1.8 million). The increase in loans results from the issue of loans to three subsidiaries totaling € 1,036.0 million.

Current assets mainly comprise **receivables due from affiliated companies** of € 1,886.1 million (prior year: € 193.5 million) which result from the profit transfer agreement with 1&1 Internet AG and receivables within the United Internet Group's cash pooling system. **Other assets** disclosed under current assets amounting to € 366.7 million (prior year: € 2.1 million) consist solely of receivables due from the tax office.

Equity is dominated by the increase in **capital reserves** to € 458.0 million (prior year: € 117.0 million) following the issue of 11 million new shares at a price of € 32 in the course of the capital increase for cash contribution, as well as the increase in the **balance sheet profit** to € 1,422.8 million (prior year: € 220.5 million) – following the transfer of a partial amount of € 200.0 million to revenue reserves. The **equity ratio** fell as a result of the greatly increased balance sheet total from 66.1% in the previous year to 57.3% as of December 31, 2014.

Liabilities are marked in particular by liabilities to banks and liabilities to affiliated companies. In fiscal 2014, **liabilities to banks** rose to € 1,382.6 million (prior year: € 343.0 million) due mainly to partial refinancing in connection with the acquisition of Versatel and the investment in Rocket Internet. The bank liabilities themselves result from a syndicated loan totaling € 750 million concluded in August 2014, a promissory note loan of € 600 million concluded in December 2014, and a revolving syndicated loan of € 600 million which had been utilized in an amount of € 30 million as of the reporting date. **Liabilities to affiliated companies** increased to € 466.5 million (prior year: € 24.6 million) and result mainly from tax liabilities (€ 335.7 million), and existing service arrangements (€ 8.6 million), as well as profit transfer agreements and compensation agreements (€ 122.2 million).

Cash flow of the parent company's financial statements is dominated by cash flows from the profit transfer agreements with 1&1 Internet AG, 1&1 Telecommunication AG, and United Internet Ventures AG, as well as the assumption of financial liabilities in connection with the Versatel acquisition and investment in Rocket Internet. Further details are provided in the notes to the separate financial statements for the parent company.

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

Due to its role as the Group's holding company, the economic position of United Internet AG at parent company level is mainly influenced by its investment result. The key drivers of this result are the profit transfer agreement with the subsidiaries 1&1 Internet AG, 1&1 Telecommunication AG and United Internet Ventures AG. The above statements on the Group's economic position therefore also apply qualitatively for United Internet AG itself.

2.5 Significant non-financial performance indicators

United Internet AG believes that its entrepreneurial activities are not solely restricted to the pursuit and implementation of economic objectives, but also involve a commitment and responsibility towards society and the environment. United Internet assumes this responsibility in a variety of ways. The most important aspects are summarized in the following sections.

Sustainable business policy

United Internet is committed to pursuing a sustainable business policy. This sustainability is illustrated in particular by its high level of investment in customer relationships and new business fields and thus in future growth.

In its fiscal year 2014, United Internet once again invested heavily in customer growth and added 0.91 million customer contracts, or as many as 1.33 million including the Versatel takeover (prior year: 1.41 million including the Arsys acquisition) to reach a total of 14.78 million contracts. In addition to these fee-based contracts, United Internet also operates 32.12 million free accounts (prior year: 31.51 million) at its data centers that are refinanced via advertising revenue. United Internet therefore manages a total of 46.90 million customer accounts (prior year: 44.96 million) globally.

Development of customer relationships
(in million)

	2010	2011	2012	2013	2014
Growth of “fee-based contracts”	+ 0.61	+ 0.91	+ 1.18	+ 1.41[(2)]	+ 1.33[(3)]
Growth of “free accounts”	+ 1.70	+ 2.80[(1)]	+ 1.00	– 0.05	+ 0.61
Growth of “total accounts”	+ 2.31	+ 3.71[(1)]	+ 2.18	+ 1.36[(2)]	+ 1.94[(3)]

(1) Including 1.50 million free accounts from the takeover of mail.com
(2) Including 0.33 million fee-based contracts from the takeover of Arsys
(3) Including 0.42 million fee-based contracts from the takeover of Versatel

United Internet has also invested heavily in customer retention, customer satisfaction and service quality since the launch of the DSL quality drive in 2009 and the introduction of the 1&1 Principle in 2012 and its international rollout in 2013. With the 1&1 Principle, the United Internet brand 1&1 gives customers five clear product-related performance promises. These include, for example, a one-month test phase or – in the case of DSL and mobile products – overnight delivery of hardware and on-site, next-day replacement of faulty equipment, as well as – for cloud products – a monthly product upgrade or downgrade and geo-redundancy for maximum data security.

With the launch of the “E-Mail made in Germany” initiative in 2013 (in cooperation with a network comprising also Deutsche Telekom and freenet), United Internet also provides its customers a high standard of security and privacy in their e-mail communication. This includes the encrypted transmission of all e-mails on all network routes, the processing and storage of all data in Germany according to German data protection regulations and the identification of secure e-mail addresses within the e-mail applications. As of April 29, 2014, only SSL keys certified in Germany are used within the "E-Mail made in Germany" network and all transmission routes are fully encrypted.

In addition to its investments in customer relationships, customer satisfaction and data protection, United Internet also uses the Group's strong earnings power and high cash generation to set up and develop new business fields and drive its further internationalization.

In its new business fields – with which the company also aims to tap new target groups – the main focus in the past was on internationalization, De-Mail, 1&1 MyWebsite, the new top-level domains (nTLDs), and as of fiscal year 2014 also the "E-Mail made in Germany" initiative.

In fiscal year 2014, United Internet invested around € 47.6 million (prior year: € 107.9 million) in new business fields and thus in sustainable growth.

Investment in new business fields
(in € million)

	2010	2011	2012	2013	2014
EBITDA-effective start-up losses(1)	21.7	42.7	124.1	107.9	47.6

(1) In 2014: De-Mail and 1&1 MyWebsite as well as the "E-Mail made in Germany" initiative

Employees

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 its junior staff, promoting the targeted development of managers and offering a variety of tailored development activities for all employees.

As a result of the expansion of business and the Versatel acquisition, the number of employees increased once again in fiscal year 2014. As of December 31, 2014, United Internet employed a total of 7,832 people – an increase of 16.5% or 1,109 employees over the previous year (6,723(1) employees).

There were 2,965 employees in the Access segment (prior year: 2.,025(1)), 4,829 in the Applications segment (prior year: 4,664(1)) and 38 employed at the Group's headquarters (prior year: 34(1)).

Headcount in Germany rose by 21.4%, or 1,088 employees, from 5,080(1) in the previous year to 6,168 as of December 31, 2014. Headcount at the non-German subsidiaries increased by 1.3%, or 21 people, from 1,643(1) in the previous year to 1,664.

Headcount development (by segment and domestic/foreign)

	2010	2011	2012	2013[1]	2014	Change over 2013
Employees, total	5,018	5,593	6,254	6,723	7,832	+ 16.5%
thereof domestic	4,019	4,375	4,904	5,080	6,168	+ 21.4%
thereof foreign	999	1,218	1,350	1,643	1,664	+ 1.3%
Access segment	1,780	1,794	1,928	2,025	2,965	+ 46.4%
Applications segment	3,211	3,771	4,292	4,664	4,829	+ 3.5%
Headquarters	27	28	34	34	38	+ 11.8%

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

Personnel expenses rose by 14.9%, from € 306.1 million in fiscal 2014 to € 351.7 million. The personnel expense ratio remained on a par with the previous year at 11.5%.

Development of personnel expenses
(in € million)

	2010	2011	2012	2013	2014	Change over 2013
Personnel expenses	202.9	230.1	275.1	306.1	351.7	+ 14.9%
Personnel expense ratio	10.6%	11.0%	11.5%	11.5%	11.5%	

Sales per employee, based on annual average headcount, amounted to approx. € 421 thousand in fiscal year 2014.

Targeted staff support and ongoing development

In order to give all employees at all locations, in all divisions, and in all functions the same opportunities and possibilities, a transparent and group-wide framework as well as standard programs and support measures have been defined in the field of staff development. Employees can progress within their department by taking on successively more responsibility and tasks. Transfers between different functions are also possible. Once employees have reached the highest competency level (“senior”) for their respective function, 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, “know-how owners”, and advisors in their specific field, but are not given responsibility for staff. Both the management and expert tracks are “permeable”, i.e. horizontal movement is also possible and an expert can become a manager and vice versa. In addition to support 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 paths 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 (MyWay+ for staff and 1&1 MOVE for management and experts). 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.

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

Thanks in part to the measures described above, the United Internet Group was able to recruit over 72% of managers from within its own ranks in fiscal year 2014.

United Internet AG has once again been named as a top employer in 2014. Based on an independent study of the Top Employers Institute, United Internet was awarded the “TOP Employers Germany” certification – as in the preceding years. Certification is only awarded to organizations which offer staff attractive working conditions. Assessment is based on career opportunities, employer benefits, working conditions, training and development opportunities, and the corporate culture.

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, marketing communication clerk, and office management clerk. 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.

Over 150 young people were serving their apprenticeships with Group companies at year-end 2014. After successfully passing their examinations, United Internet endeavors to offer jobs to as many apprentices as possible and to make an attractive offer to every graduate. In fiscal year 2017, 37 apprentices were given full-time jobs.

In cooperation with Baden-Wuerttemberg Cooperative State University (Duale Hochschule Baden-Württemberg - DHBW), United Internet also offers degree courses in Applied Computer Sciences, Information Management, Business Administration / Accounting and Business Administration / Services Marketing at the universities of Karlsruhe and Mannheim.

Moreover, United Internet is a sponsor of the “Germany Scholarship” program, in which companies and the state play an equal role in promoting future graduates and helping them complete successful and challenging degree courses. The scholarship program supports students whose achievements promise future excellence in their studies and careers. Since the program was launched in 2011, United Internet has sponsored students at the two elite universities LMU and TU Munich.

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

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

Employees by gender

	Dec. 31, 2014	Dec. 31, 2013
Women	42%	35%
Men	58%	65%

The average age of the United Internet Group's employees at the end of fiscal year 2014 was around 33.8.

Employee age profile

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

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

Employees by country

	Dec. 31, 2014	Dec. 31, 2013
Employees, total	7,832	6,723
thereof Germany	6,168	5,080
thereof France	46	23
thereof UK	227	208
thereof Philippines	450	468
thereof Romania	264	288
thereof Spain	341	329
thereof USA	300	303
thereof Other	36	24

Green IT

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

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

United Internet has been using electricity from renewable energy sources at its data centers in Germany since December 2007. The servers at our German data centers in Karlsruhe and Baden Airpark, for example, are powered 100% by electricity from three Norwegian hydroelectric power plants supplied by Stadtwerke Karlsruhe. Servers at our data centers in the USA were also converted to climate-neutral electricity in 2008.

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

- An intelligent cooling system. The warm cooling water is first led through open-air coolers on the roof of the data center that do not require energy-hungry compressors and use the "natural" outdoor temperature for cooling.
- The server hardware. The bulk of our computers are built-to-order for United Internet. We leave out unnecessary components and specify, for example, energy-saving processors and power supplies with low heat loss. This means that less heat is radiated and data rooms do not have to be cooled as intensively.
- The software used. The webhosting operating system used by United Internet is our own development, based on Linux. The modification enables us to manage the data of several thousand customers on a single computer and at the same time and thus utilize our resources as sensibly as possible.
- The virtualization. The server hardware used in data centers is often only utilized at an average rate of 15% to 25%. With the aid of virtualization, efficiency can be increased significantly – thus saving energy.

Social responsibility

"United Internet for UNICEF" was set up in September 2006 as an independent foundation under German civil law. The foundation primarily supports projects of UNICEF, the United Nation's Children's Fund. We carefully select projects from the wide range of UNICEF topics and present them on the high-reach portals of the United Internet Group (1&1, GMX und WEB.DE) in order to attract as many donors as possible – for the particular project or as long-term UNICEF sponsors.

The single or repeat donations gained via United Internet's portals are doubled by United Internet for the specific projects and are passed on 100% to UNICEF – thanks to the voluntary work of all foundation staff.

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

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

2014 was once again dominated by numerous emergency situations for children in many parts of the world. Children in crisis regions such as Syria, North Iraq and South Sudan were particularly affected, as were those in the countries of West Africa worst hit by the Ebola outbreak. The Foundation therefore focused its appeals on these topics and countries in 2014. To ensure long-term aid, particular emphasis was placed on recruiting long-term UNICEF sponsors for all Foundation activities. As a result of the Foundation's appeals, a further € 2.4 million could be handed over to UNICEF in the fiscal year 2014.

Since its creation, the foundation has collected € 28.5 million in donations and enlisted around 9,800 active UNICEF sponsors via the 1&1, GMX and WEB.DE portals.

3 Subsequent events

There were no significant events subsequent to the end of the reporting period on December 31, 2014 which had a material effect on the financial position and performance or the accounting and reporting of the parent company or the Group.

Information on the economic position of the United Internet Group at the time of preparing this Management Report are provided under point 4.3 in the “Forecast report”.

Rocket Internet AG, one of United Internet’s 3 listed investments conducted a capital increase for cash contribution with partial use of Authorized Capital on February 13, 2015. The capital increase raised the company’s capital stock from € 153,130,566 to € 165,140,790. The new shares were offered exclusively to institutional investors by means of a private placement and accelerated bookbuilding process. The 12,010,224 new shares were allocated at a placement price of € 49.00 per share. In the course of this capital increase, United Internet acquired 1,201,000 Rocket shares for a total of around € 58.8 million and thus raised its stake in Rocket to 8.31%.

4 Risk, opportunity and forecast report

The risk and opportunity policy of the United Internet Group is based on the objective of maintaining and sustainably enhancing the company's value by utilizing opportunities while at the same time recognizing and managing risks from an early stage in their development.

The risk and opportunity management system regulates the responsible handling of those uncertainties involved with economic activity.

4.1 Risk report

Risk management

The concept, organization and task of United Internet AG's risk management system are defined by the Management Board and Supervisory Board and documented in a risk manual which is valid for all members of the Group. These requirements are regularly adapted to changing legal conditions and continually developed. The Internal Audit department regularly examines the functioning and efficiency of the risk management system. As part of his statutory auditing obligations for the annual financial statements and consolidated financial statements, the external auditor also examines whether the risk early recognition system is generally suitable for the early identification of risks and developments which might endanger the company. The system complies with statutory requirements regarding risk early recognition systems, as well as with the German Corporate Governance Code. Its design is based on the specifications of the international ISO standard ISO/IEC 31000. In accordance with the regulations of the German Stock Corporation Act, the Supervisory Board also examines the efficacy of the risk management system.

Methods and objectives of risk management

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

The current status of the main risks is communicated to the Management Board and Supervisory Board four times per year. Identified important risks with an immediate impact or significant changes in the risk situation trigger an ad-hoc reporting obligation. The respective risk is then communicated immediately to the CFO of United Internet AG, who in turn reports it to the Supervisory Board where necessary. In this way, significant risks can be addressed as quickly as possible. In order to support the centralized risk management system, additional local risk managers have been installed with monthly reporting in business fields of particular importance for the Group's business success (such as the areas "Technology & Development"). In order to facilitate the group-wide exchange and comparison of risk information, these local risk managers meet with the Group's central risk management team and – for cross-company issues – with the company-wide, cross-functional managers at regular Risk Manager Meetings. The risk management system established by United Internet AG only documents recognized risks. Risks are assessed with their net impact, i.e. effects from mitigating (corrective) measures are only considered in the risk assessment after implementation.

Risks for United Internet

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

Strategy

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

Market

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

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

Business development and innovations

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

Legal & political

Regulation

In the Access segment, the decisions of the German Federal Network Agency and Federal Cartel Office have an influence on the pricing of 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 tendency toward an increasing regulation risk by cooperating with various pre-service providers and by actively participating in the activities of industry associations. With its complete takeover of Versatel on October 1, 2014, United Internet now also has its own network. This network infrastructure gives United Internet the possibility in future to also procure internally produced DSL pre-services.

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

Data protection

United Internet stores the data of its customers on servers at its own and rented data centers. The handling of these data is subject to extensive legal regulations. The company is aware of this great responsibility and attaches great importance and care to data protection. At the same time, however, the possibility can never be excluded that data protection regulations are contravened due to human error or technical weaknesses. By using state-of-the-art technologies, continually monitoring all data-protection and other legal regulations, providing extensive staff training on data protection regulations, and involving data protection aspects and requirements as early as possible in product development, the company continually invests in improving the standard of its data security.

Personnel

If United Internet does not effectively manage the manpower resources of its national and international facilities, the company may not be able to run its business efficiently and successfully. It is therefore essential that human resources are effectively controlled so that the company can ensure its short- and long-term needs for staff and the requisite expertise.

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

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

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

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

Fraud

In order to meet the requirements of dynamic customer growth and provide services as quickly as possible in the interests of its customers, United Internet has largely automated its order and provision processes – as have many other companies in such mass market businesses. The nature of such automated processes provides possibilities for attacks from internet fraudsters. For example, United Internet may suffer damage from automated hosting and domain orders made under false names and not paid for.

The fraudulent use of SIM cards may also incur damage for United Internet due to large-scale call forwarding or roaming calls, for example.

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

Provision of services

Threat potential of the internet

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

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

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

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

Complexity and possible manipulation of hardware and software used

United Internet's products and related business processes are based on a complex technical infrastructure and a number of success-critical software systems (servers, customer relationship databases and statistics systems etc.). Constantly adapting this infrastructure to changing customer needs leads to greater complexity and regular changes. In addition to major events like the migration of databases, this may lead to various disruptions or defects. Should this affect our business systems or their databases, for example, daily account debiting may be delayed or no longer possible. Should this affect our performance systems, for example, United Internet may not be able to provide its customers with the promised service, on a temporary or longer-term basis. The company meets these risks by making targeted adjustments to the architecture, introducing quality assurance measures, and establishing spatially separated (geo-redundant) core functionalities.

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

Complexity in development

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

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

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

Additional disclosures on risks, financial instruments and financial risk management

The main financial liabilities incurred by the parent company United Internet AG for the financing of its activities include bank loans, overdraft facilities and other financial liabilities.

United Internet holds various financial assets which result directly from its business activities. They consist mainly of shares in affiliated companies and investments, as well as receivables from affiliated companies. As of the balance sheet date, the company mainly held primary financial instruments.

The aim of financial risk management is to limit risks through ongoing operating and financial activities. The company is hereby exposed to certain risks with regard to its assets, liabilities and planned transactions, especially liquidity risks and financial market risks, as described below.

Liquidity

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

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

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

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

Financial covenants

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

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

- **Interest**
  The company is fundamentally exposed to interest risks as the major share of its borrowing bears variable interest rates with varying terms.

  As part of its liquidity planning, the company constantly monitors the various investment possibilities and debt conditions. Any borrowing requirements are met by using suitable instruments to manage liquidity. Surplus cash is invested on the money market to achieve the best possible return. Due to developments on the global finance markets, the interest risk remained largely unchanged.

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

- **Currency**
  United Internet's currency risk mainly results from its operations (if revenue and/or expenses are in a currency other than the Group's functional currency) and its net investments in foreign subsidiaries. As revenues and expenses are mostly generated or incurred in the eurozone, there were no material foreign exchange risks with an impact on cash flow in the reporting period.

- **Stock exchange prices (valuation risk)**
  A stock exchange risk mainly results from investments in listed companies. These investments are carried at cost in the separate financial statements of the parent company and at fair value in the consolidated financial statements. Should the (proportional) stock exchange value of an investment permanently lie below its acquisition cost, the company recognizes an impairment of the financial instrument in the income statement of its separate financial statements. Changes in fair value assessments are recognized in the income statement of the consolidated financial statements.

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

In order to maintain and adapt its capital structure, the company can adjust dividend payments or pay capital back to its shareholders, purchase treasury shares and where necessary place them again or issue new shares. As of December 31, 2014 and December 31, 2013, no changes were made to the company's targets, methods and processes.

Management Board’s overall assessment of the Group’s risk position

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

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

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

There were no risks which directly jeopardized the continued existence of the United Internet Group in the fiscal year 2014 nor at the time of preparing this Management Report, neither from individual risk positions nor from the overall risk situation.

Probability of occurrence / possible impact of company risks

	Probability of occurrence	Possible impact
Risks in the field of strategy		
Internationalization	Low (2013: Hoch)	High (2013: High)
Risks in the field of market		
Competition	Low (2013: High)	High (2013: High)
Business development and innovations	Low (2013: Low)	High (2013: High)
Risks in the field of law & politics		
Regulation	High (2013: High)	High (2013: Very high)
Data protection	Very low (2013: Very low)	High (2013: High)
Risks in the field of personnel		
Employees	Low (2013: Very low)	Low (2013: Low)
Risks in the field of fraud		
Fraud	Low (2013: High)	Low (2013: Low)
Risks in the field of service provision		
Threat potential of the internet	Low (2013: Low)	Very high (2013: Extremely high)
Complexity / possible manipulation of hardware and software	Low (2013: High)	High (2013: High)
Complexity in development	Low (2013: Low)	High (2013: High)
Risks in the field of financial instruments and financial risk management		
Liquidity	Low (2013: Very low)	Very low (2013: Very low)
Financial covenants	Very low (2013: Very low)	Very low (2013: Very low)
Financial market	Low (2013: Low)	High (2013: High)
Capital management	Very low (2013: Very low)	Very low (2013: Very low)

Assessment categories of company risks in ascending order

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

4.2 Opportunity report

Opportunity management

Opportunity management is based on strategic planning and the resulting measures for the development of products and their positioning for various target groups, markets and countries during the product life cycle. The Group Management Board, as well as the operative management level of the respective business segments in the form of Divisional Managers and Managing Directors, have the direct responsibility for the early and continual identification, assessment, and steering of opportunities. The management team of United Internet AG makes extensive use of detailed evaluations, models and scenarios on current and future trends regarding sectors, technologies, products, markets/market potential and competitors in the Group's fields of activity. The potential opportunities identified during these strategic analyses are then examined with regard to the critical success factors and existing external conditions and possibilities of United Internet AG in planning discussions between the Management Board, Supervisory Board and operational managers before being implemented in the form of specific measures, targets and milestones. The progress and success of these measures is continually monitored by operational management and the Managing Directors and Management Board members of the respective companies.

Opportunities for United Internet

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

Broad strategic positioning in growth markets

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

Participation in market growth

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

Expansion of market positions

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

Entry into new business fields

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

When new opportunities appear on the horizon, such as De-Mail, United Internet is well prepared and also capable of financing many years of cost-intensive preparation thanks to its strong cash generation in existing business fields. With a market share of some 50% of all German e-mail users, the company is excellently placed to participate in the digital, legally secure post business (especially from “postal charges” and “ad mailings”).

Own infrastructure

With the complete takeover of Versatel on October 1, 2014, United Internet now also has its own network. With a length of around 39,000 km, it is Germany’s second-largest fiber-optic network. With its own network infrastructure, United Internet also has the opportunity to source internally produced DSL pre-services in the future.

In addition, having its own network also offers United Internet the opportunity to use the Versatel brand to enter the B2B data and infrastructure business with SMEs and large corporations. This scale of this opportunity is underlined by the fast-growing data consumption of private users and companies (according to Dialog Consult / VATM figures: +27.8% data volume consumption per connection and month in 2014) and the considerable pent-up demand for direct fiber-optic connections in Germany. According to an OECD survey of June 2014, only 1.1% of all broadband connections in Germany are fiber-optic connections. Germany thus lags well behind in 29th place among the 34 OECD countries.

Internationalization

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

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

Acquisitions and investments

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

United Internet has enhanced its market standing in Germany and abroad, for example, by making several acquisitions and strategic investments while gaining considerable expertise in the field of mergers and acquisitions (M&A) and company integration. The most important M&A activities of recent years include the acquisition of WEB.DE's portal business (in 2005), the acquisitions of Fasthosts (2006) and united-domains (2008), the acquisition of freenet's DSL business (2009) and the acquisitions of mail.com (2010), Arsys (2013) and Versatel (2014). The most important strategic investments include the investments in Virtual Minds (2008), ProfitBricks (2010), Open-Xchange (2013), ePages (2014), uberall (2014) and Rocket Internet (2014).

4.3 Forecast report

Expectations for the economy

In its global economic outlook published in January 2015, the International Monetary Fund (IMF) updated its forecasts for the development of the global economies in 2015 and 2016.

Despite low oil prices and the economic upturn in the USA, the global economy is expected to grow more slowly in 2015 and 2016 than previously predicted. The IMF states a number of negative influences as the reason for this trend:

- Further low capital spending in many industrialized and emerging economies
- Stagnation and low inflation in Japan and the eurozone
- Economic crisis in Russia due to the low oil price, the devaluation of the rouble and the Ukraine conflict
- Slower growth in China

In view of the downgraded prospects, the IMF advocates strengthening growth drivers and has called upon the industrialized countries, first and foremost, to invest more in infrastructure projects, such as roads, bridges and utility networks. Moreover, monetary policy should be used to bolster the economy of many economic regions, also by unconventional means.

Specifically, the IMF predicts that the **global economy** will grow by 3.5% in 2015 and 3.7% in 2016 – following growth of 3.3% in 2014. This represents a downgrade of 0.3 percentage points for both years compared to the October 2014 forecast.

The latest IMF forecasts paint a varied picture for United Internet's target markets in North America (the USA, Canada and Mexico). The **US** economy is expected to grow by 3.6% in 2015 and 3.3% in 2016 – following growth of 2.4% in 2014. The IMF has thus strongly upgraded its previous forecasts by 0.5 and 0.3 percentage points, respectively. Growth in **Canada** is likely to be a little slower than the 2.4% achieved in 2014, with a reduced forecast of 2.3% and 2.1% for 2015 and 2016 (0.1 and 0.3 percentage points less than before). And following growth of 2.1% in 2014, the economy in **Mexico** is expected to grow by 3.2% in 2015 and 3.5% in 2016 – 0.3 percentage points less than previously forecast for both years.

The IMF anticipates growth in the **eurozone** to reach 1.2% and 1.4% in 2015 and 2016, respectively – compared to 0.8% in 2014. Although the IMF sees further signs of recovery in the eurozone, it has downgraded its previous forecasts by 0.2 and 0.3 percentage points, respectively.

The IMF expects diverging economic trends in United Internet's main European markets (France, Spain, Italy and the non-euro country UK). In **France**, the IMF expects growth of 0.4% in 2014 to be followed by an improvement in economic output of 0.9% in 2015 and 1.3% in 2016 (and thus 0.1 and 0.2 percentage points less than before). Following growth of 1.4% in 2014, **Spain** is expected to achieve growth of 2.0% and 1.8% in 2015 and 2016 (and thus 0.3 and 0.0 percentage points more than previously forecast). The economic trend is likely to be much less dynamic in **Italy**: following a recession of 0.4% in 2014, the IMF now expects growth of 0.4% in 2015 and 0.8% in 2016. This represents a downgrade of 0.5 percentage points. After growing by 2.6% in 2014, the IMF forecasts further growth for the **UK** in 2015 and 2016 of 2.7% and 2.4%, respectively. This is more or less in line with previous forecasts.

For United Internet's most important market, **Germany**, the IMF forecasts economic growth of 1.3% in 2015 and 1.5% in 2016, following on from 1.5% in 2014. These forecasts are 0.2 and 0.3 percentage points less than previously announced.

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

	2016e	2015e	2014
World	3.7%	3.5%	3.3%
USA	3.3%	3.6%	2.4%
Canada	2.1%	2.3%	2.4%
Mexico	3.5%	3.2%	2.1%
Eurozone	1.4%	1.2%	0.8%
France	1.3%	0.9%	0.4%
Spain	1.8%	2.0%	1.4%
Italy	0.8%	0.4%	- 0.4%
UK	2.4%	2.7%	2.6%
Germany	1.5%	1.3%	1.5%

Source: International Monetary Fund, World Economic Outlook (Update), January 2015

Market / sector expectations

Further international and national growth is forecast for the IT and telecommunications industry (ICT) in 2015. According to the German industry association BITKOM, the global ICT market will grow by 3.8% to € 2.89 trillion in 2015. BITKOM expects the ICT market in the EU to grow by 0.3% in 2015.

The total market for IT, telecommunications and digital entertainment electronics in Germany is expected to grow by 1.4% to € 155.5 billion in 2015.

Within the overall market, the IT sector is set to enjoy the strongest growth of 3.2% to € 80.3 billion. The strongest growth is expected in the software market, which is expected to grow by 5.7% to € 20.2 billion. Business with IT services, including IT consulting and project business, is expected to grow by 3.0% to € 37.3 billion. Sales of IT hardware are likely to increase by 1.3% to € 22.8 billion. Following their recent strong sales growth of 15.7%, however, sales of desktop and notebook PCs are expected to decline in 2015 (-7.3% to € 5.9 billion). In the case of tablet computers, sales are expected to grow by 7.8% to € 2.4 billion – following a decline of -5.3% in the previous year.

After two years of declining sales, BITKOM forecasts slight growth of 0.2% to € 65.4 billion for the telecommunications market. The strongest growth is expected in the field of infrastructure systems, where sales are likely to grow by 3.6% to € 6.5 billion. Sales growth for end-user devices will be weaker at just 1.0% to € 9.5 billion. One reason for this is that smartphones sales are expected to grow by just 2.4% – less than half the growth rate achieved in 2014. Sales of fixed-line and mobile services are expected to decline once again by a total of 0.5% to € 49.3 billion.

The decline in sales of consumer electronics products is expected to continue – albeit at a slower pace. BITKOM expects a fall in sales of -2.9% to € 9.9 billion in 2015.

Market forecast: development of ICT market segments in Germany
(in € billion)

	2015e	2014	Change
Total ICT market	155.5	153.3	+ 1.4%
thereof IT sub-market	80.3	77.8	+ 3.2%
thereof telecommunications sub-market	65.4	65.3	+ 0.2%
thereof consumer electronics sub-market	9.9	10.2	- 2.9%

Source: BITKOM

All in all, Germany’s high-tech companies are very upbeat about their prospects in the coming months. 79% of IT and telecommunications companies surveyed expect rising sales in the first half of 2015 and only 7% of companies expect poorer sales figures. These were the findings of the latest economic survey of the German ICT industry conducted by high-tech industry association BITKOM in late January 2015. The companies are also positive about 2015 as a whole: 85% of ICT companies expect rising sales and only 4% expect a decline in business.

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

German broadband market

In view of the comparatively high level of household coverage of over 80% already achieved and the trend toward mobile internet, experts continue to forecast only moderate growth for the German broadband market (fixed line-based).

According to the survey “German Entertainment and Media Outlook 2014-2018” (December 2014), PricewaterhouseCoopers expects sales of fixed-line broadband connections to increase by just 1.6% to € 7.86 billion in 2015.

Market forecast: broadband access (fixed-line) in Germany
(in € billion)

	2015e	2014	Change
Sales	7.86	7.74	+ 1.6%

Source: PricewaterhouseCoopers

Mobile internet market in Germany

All experts continue to predict dynamic growth for the mobile internet market, however. Following market growth of 5.4% to € 9.7 billion in 2014, BITKOM also expects mobile data services to grow by 6.2% to € 10.3 billion in 2015.

This growth will be driven above all by favorable – and thus for the consumer attractive – prices, as well as by the boom in smartphones and tablet PCs and the respective applications (or apps). Despite the high level of market saturation, BITKOM forecasts further growth of 4.2% to a total of 24.6 million sold smartphones in 2015 (following 23.6 million in 2014).

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

	2015e	2014	Change
Sales	10.3	9.7	+ 6.2%

Source: BITKOM / European Information Technology Observatory (EITO)

Cloud computing market

In an update of its study "Forecast Overview: Public Cloud Services, Worldwide" (November 2014) Gartner forecasts global growth for public cloud services of 16.9%, from USD 152.8 billion to USD 178.6 billion in 2014.

Market forecast: global cloud computing
(in $ billion)

	2015e	2014	Change
Global sales of public cloud services	178.6	152.8	+ 16.9%
thereof business process services (BPaaS)	40.7	37.0	+ 10.0%
thereof application services (SaaS)	32.5	26.7	+ 21.7%
thereof application infrastructure services (PaaS)	4.2	3.3	+ 27.3%
thereof system infrastructure services (IaaS)	17.0	12.5	+ 36.0%
thereof management and security services	5.5	4.4	+ 25.0%
thereof cloud advertising	78.8	68.9	+ 14.4%

Source: Gartner

Online advertising market in Germany

Advertisers continued to display a strong willingness to invest in online advertising activities in 2014.

Experts also forecast further growth in 2015. In its study "German Entertainment and Media Outlook 2014–2018" (December 2014), PricewaterhouseCoopers expects an increase of 7.0% to € 5.93 billion. Strong growth is expected once again for mobile online advertising and video advertising with increases of 33.3% and 22.2%, respectively.

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

	2015e	2014	Change
Online advertising revenues	5.93	5.54	+ 7.0%
thereof search marketing	2.79	2.64	+ 5.7%
thereof display advertising	1.45	1.40	+ 3.6%
thereof affiliate / classifieds	0.97	0.94	+ 3.2%
thereof mobile online advertising	0.40	0.30	+ 33.3%
thereof video advertising	0.33	0.27	+ 22.2%

Source: PricewaterhouseCoopers

Expectations for the company

Focus areas in fiscal year 2015

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

In view of its product strategy based on transparency and flexibility, with innovative products offering excellent value for money, United Internet believes it is well positioned in its **Access segment**. In the fiscal year 2015, contract and revenue growth for consumer products is likely to result once again from the marketing of DSL connections and Mobile Internet products. The main focus will be on the further expansion of V-DSL coverage, the use of the new transmission technology “vectoring” (with speeds up to 100 Mbit/s), and the launch of an IPTV products. In the field of Business solutions under the Versatel brand, the focus will lie on voice, data and network solutions for small and medium-sized companies, as well as infrastructure services for large corporations.

With its strong and specialized brands, a steadily growing portfolio of cloud applications, and existing relations with millions of small businesses, freelancers and private users, United Internet is also well positioned in its **Applications segment** to utilize the opportunities offered by cloud computing. In the case of Consumer Applications, the main focus in 2015 will continue to be on secure e-mail communication. A further expansion of the “E-Mail made in Germany” initiative launched in August 2013 in cooperation with Deutsche Telekom is also targeted. In the field of Business Applications, further penetration of the current target markets is planned. The main focus here will be placed on expanding business with existing customers through sales of additional products, such as new top-level domains or marketing tools like 1&1 List Local, and gaining new high-quality customer relationships, e.g. via our De-Mail business or the new 1&1 Cloud Server.

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

Forecast for fiscal year 2015

Specifically, United Internet expects that the number of fee-based customer contracts will grow by approx. 0.8 million contracts from a level of 14.78 million as of December 31, 2014.

Consolidated sales in fiscal year 2015 are likely to grow by approx. 20% (2014: € 3.065 billion).

EBITDA is expected to rise by approx. 40% (2014 without one-off income: € 551.5 million).

Due to its role as a holding company, the earnings of United Internet AG at parent company level are mainly influenced by its investment result. The key drivers of this result are the profit transfer agreements with the subsidiaries 1&1 Internet AG, 1&1 Telecommunication AG and United Internet Ventures AG. The above statements on the Group's earnings therefore also apply qualitatively for United Internet AG itself.

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

Management Board's overall statement on the anticipated development

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

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

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

In the case of Access products, marketing and sales activities will focus mainly on Mobile Internet products in fiscal year 2015. In this business, the market shares in Germany are currently being allocated. United Internet aims to participate in the current market growth and achieve above-average growth. United Internet also plans to leverage the strong positioning of its DSL products to attract new customers. In addition, the company's business with Access solutions for business clients is to be expanded under the Versatel brand.

In addition to the German access market, international business with cloud applications also promises strong potential for the medium- and long-term growth of the company. In the case of Consumer Applications, the company will continue to focus on secure e-mail communication. In the field of Business Applications, the main emphasis will be placed once again on expanding business with existing customers and gaining new high-quality customer relationships. The internet organization ICANN is planning to gradually introduce around 700 new top-level domains (nTLDs) up to the end of 2016. The first new domain endings have been available since the beginning of 2014. By offering such nTLDs, United Internet has accessed new revenue streams for the future. With new products such as 1&1 Cloud Server and the De-Mail business, the Management Board believes the company is well placed to participate in the expected market growth.

Following a successful start to the year (at the time of preparing this Management Report), the company's Management Board believes that the company is on track to reach its forecasts for the full year 2015 – as presented in the table below.

Full-year 2015 forecast for United Internet AG

	Forecast 2015	12/2014[1]
Fee-based customer contracts	+ approx. 0.8 million	14.78 million
Sales	+ approx. 20%	€ 3.065 billion
EBITDA	+ approx. 40%	€ 551.5 million

[1] As of Dec. 31, 2014 without one-off income from Versatel acquisition and portfolio optimization

The Management Board also expects strong growth in the financial performance indicators EBIT and EPS in fiscal 2015 compared to the respective prior-year figures adjusted for one-off income from the Versatel acquisition and portfolio optimizations.

Forward-looking statements

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

5 Accounting-related internal control and risk management system

In accordance with Sec. 289 (5) and Sec. 315 (2) No. 5 German Commercial Code (HGB), United Internet AG is obliged to describe the main features of its accounting-related internal control and risk management system in its Management Report.

United Internet AG regards risk management as part of its internal control system (ICS). The ICS is understood as an ongoing process comprising organizational, controlling and monitoring structures to ensure permanent compliance with legal and corporate requirements. United Internet's ICS is also based on the internationally recognized controlling models of the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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

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

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

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

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

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

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

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

6 Disclosures required by takeover law

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

Composition of capital

The subscribed capital of United Internet AG as of December 31, 2014 amounts to € 205,000,000 divided into 205,000,000 no-par value, registered shares. Each share entitles the owner to one vote. There are no other share categories. In the case of a capital increase, the commencement of dividend entitlement for new shares may be determined separately from the moment of contribution.

Limitations affecting voting rights or the transfer of shares

There are legal limitations affecting voting rights of certain shares pursuant to Sec. 71b AktG and Sec. 71d S. 4 in conjunction with Sec. 71b AktG. At the end of the reporting period, United Internet holds 1,232,338 shares representing 0.60% of capital stock.

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

Among the members of the Management Board, Mr. Ralph Dommermuth holds 82,000,000 shares (40.00% of capital stock) as of December 31, 2014. Moreover, Mr. Norbert Lang holds 453,833 shares (0.22% of capital stock), Mr. Robert Hoffmann holds 75,000 shares (0.04% of capital stock), and Mr. Jan Oetjen holds 3,994 shares (0.00% of capital stock).

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

There are no limitations affecting the transfer of shares.

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

The company's CEO, Mr. Ralph Dommermuth, owns 82,000,000 shares or 40.00% of the 205,000,000 shares in United Internet AG as of December 31, 2014. The Management Board is not aware of further participations in capital exceeding 10% of voting rights.

Special rights

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

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

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

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

Powers of the Management Board to issue shares

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

The Management Board is authorized, subject to approval by the company's Supervisory Board, to increase the company's capital stock on one or more occasions before May 26, 2016 by a total of € 101,500,000.00 (following the capital increase of € 11,000,000.00 in September 2014) 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 € 30,000,000.00, divided into 30,000,000 no-par shares (Conditional Capital 2014). The conditional capital increase is earmarked for shares to be granted to bearers or holders of warrant or convertible bonds, which the shareholders' meeting on May 22, 2014 authorized the company or a subordinated Group company to issue in the period ending May 21, 2019, providing the issue is in return for cash and no cash settlement is granted or the warrant or convertible bonds are serviced from the stock of treasury shares or approved capital.

Powers of the Management Board to buy back shares

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

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

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

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

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

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

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

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

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

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

7 Description of company management / Corporate Governance Report

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

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

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

The following report contains the "Description of company management" in accordance with Sec. 289a HGB and the "Corporate Governance Report" of the Management Board and Supervisory Board pursuant to Section 3.10 of the German Corporate Governance Code.

Management and corporate structure

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

Procedures of the Management Board and Supervisory Board

Supervisory Board

The **Supervisory Board** is elected by the Annual Shareholders' Meeting and consisted of three members in fiscal year 2014. 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. This requirement is currently complied with in full. In accordance with German law, the company's articles and its rules of procedure, the Supervisory Board is in regular contact with the Management Board and monitors and advises it with regard to the management of business, and the company's risk and opportunity management system. The Supervisory Board meets at regular intervals to discuss with the Management Board all matters of relevance to the company regarding strategy and its implementation, as well as planning, the development of business, the risk position, risk management and compliance. Together with the Management Board, it discusses the quarterly and half-year reports before publication and approves annual budgets. It examines the annual financial statements of the parent company and the group and adopts them if it has no reservations. In doing so, it also takes the reports of the company's external auditors into account. 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 members of the Supervisory Board complete the training and further education measures required for their tasks on their own, but receive appropriate support in this context from the company.

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

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

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

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

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

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

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

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

Management Board

The **Management Board** is the body charged with managing the group's operations. In fiscal year 2014, it consisted of three persons and as of October 1, 2014 of five persons. The Management Board conducts operations in accordance with its legal and statutory obligations as well as the rules of procedure approved by the Supervisory Board. It is responsible for preparing the interim and annual financial statements as well as for appointing key managers within the company. Decisions of fundamental importance require the approval of the Supervisory Board. The Management Board regularly informs the Chairman of the Supervisory Board. There is also an age limit of 70 for members of the Management Board. This requirement is also currently complied with in full.

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

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

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

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

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

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

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

Annual Shareholders' Meeting

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

Composition of the Management Board and Supervisory Board

In the fiscal year 2014, the **Management Board** of United Internet AG comprised the company's founder and Chief Executive Officer Mr. Ralph Dommermuth, the deputy chair and Management Board member responsible for Business Applications Mr. Robert Hoffmann (with the company since 2006) and the Chief Financial Officer Mr. Norbert Lang (with the company since 1994). With effect from October 1, 2014, the Supervisory Board of United Internet AG appointed Mr. Jan Oetjen (with the company since 2008) as Management Board member responsible for Consumer Applications and Mr. Martin Witt (with the company since 2009) as Management Board member responsible for Access.

Since October 1, 2014, the Management Board of United Internet AG has thus comprised five members and Management Board divisions:

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

In the case of new appointments, the Supervisory Board takes account of diversity aspects as defined by the German Corporate Governance Code. In particular, it strives to ensure that women are appropriately represented. On March 6, 2015, the German parliament passed the *Law for the equal participation of women and men in leadership positions in the private sector and the public sector*. Among other things, the law includes an obligation to set targets for raising the proportion of women on management boards and supervisory boards. The law is expected to come into force in the first half of 2015. The Supervisory Board intends to set specific targets regarding the proportion of women on the Management Board before the legal deadline (September 30, 2015).

The **Supervisory Board** elected by the Annual Shareholders' Meeting currently comprises Kurt Dobitsch (Chairman), Kai-Uwe Ricke and Michael Scheeren.

The Supervisory Board of United Internet AG is composed in such a way that its members together have the knowledge, skills and professional experience necessary for them to carry out their tasks correctly. At least one Supervisory Board member has specific expertise in the areas of accounting or auditing (Sec. 100 (5) German Stock Corporation Act - AktG). The members of the Supervisory Board also have considerable business experience in countries other than Germany.

The Supervisory Board comprises an adequate number of independent members, who have no business or personal relationship with the company or its Management Board. Moreover, these independent members do not exercise functions on a management body of or perform advisory duties at major competitors.

The German Corporate Governance Code recommends that the Supervisory Board specifies concrete objectives regarding its composition which are to be taken into account when the Supervisory Board makes recommendations to the competent election bodies. In view of the ongoing uncertainties in the regulatory environment, the Supervisory Board of United Internet AG has not yet specified any concrete objectives regarding its composition. These uncertainties were removed by the German parliament with the passing on March 6, 2015, of the *Law for the equal participation of women and men in leadership positions in the private sector and the public sector*. The Supervisory Board intends to set specific targets regarding the proportion of women on the Supervisory Board before the legal deadline (September 30, 2015).

Compliance

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

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

To ensure conduct in line with our corporate culture, there is a binding framework for the ethical principles and values of the Group’s “core companies” and values and management guidelines have been defined. This “culture of cooperation” provides guidance for employees in their everyday work and creates a secure framework for making the correct decisions. The framework applies equally to the Management Board, directors, managers and all employees of the core companies.

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

In accordance with the importance attached to compliance, the company set up a dedicated Compliance Organization in the fiscal year 2013. In terms of content, it is headed by the Corporate Compliance Manager (CCM). The CCM reports to the General Counsel, who is responsible as Head of Legal for the establishment of the compliance organization.

The Compliance Organization is responsible for the creation of suitable structures and processes to support the implementation of compliance throughout the company and to efficiently introduce measures. The compliance organization present and anchored in the business units via functional and local Compliance Managers (FCMs and LCMs). In addition to their normal functions, the FCMs and LCMs support the area of compliance. With effect from June 1, 2014, the compliance function was strengthened by the appointment of a further compliance manager to support the Corporate Compliance Manager.

With its three levels of action Prevent, Detect, and Respond, the overarching element of the compliance system remains the responsibility of all managers for compliance. This includes acting as a role model, as enshrined in the management guidelines, and goes beyond this: all United Internet managers must set an example with regard to compliance and ensure that decisions and actions in their area of responsibility are always in line with the relevant legal provisions and the company's own values and rules. The compliance organization aims to raise the awareness of decision makers for this responsibility even more in fiscal 2015. Moreover, the company plans to merge the existing functions Compliance, Legal & Data Privacy, Risk Management, Internal Audit, and a newly created Corporate Governance unit into a holistic risk management system in fiscal 2015

Financial disclosures / transparency

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

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

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

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

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

Accounting and auditing

The Group's accounts are drawn up according to the principles of the International Financial Reporting Standards (IFRS, as applicable in the EU) with consideration of Sec. 315a HGB. However, the annual financial statements of the parent company – relevant for all dividend and tax matters – are drawn up according to the rules of the German Commercial Code (HGB). The annual financial statements and the consolidated financial statements are audited by independent auditors. The respective auditing company is selected by the Annual Shareholders' Meeting. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, was elected to audit the annual financial statements for the fiscal year 2014. The Supervisory Board issues the auditing mandate, determines auditing focal points, approves the auditing fee and examines the independence of the auditors.

Remuneration of Management Board and Supervisory Board

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

Stock option plans

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

Directors' Dealings

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

In fiscal year 2014, the Management Board and Supervisory Board of United Internet AG conducted the following securities transactions (in chronological order):

- On April 3, 2014, Mr. Norbert Lang sold 295,049 shares via NBL Vermögensverwaltung GmbH & Co. KG at a price of € 34.515 each. The total volume amounted to € 10,184k.
- On May 27, 2014, Mr. Norbert Lang exercised 200,000 subscription rights and received in return 33,833 shares of United Internet AG. The total volume amounted to € 1,104k.
- On May 27, 2014, Mr. Robert Hoffmann exercised 75,000 subscription rights and received in return 27,650 shares of United Internet AG. The total volume amounted to € 902k.

- On November 21, 2014, Mr. Michael Scheeren sold 100,000 shares at a price of € 35.085 each. The total volume amounted to € 3,509k.
- On November 21, 2014, Mr. Jan Oetjen exercised 100,000 subscription rights and received in return 26,714 shares of United Internet AG. The total volume amounted to € 896k. On November 26, 2014, he sold 21,000 shares at a price of € 35.372 each with a total volume € 743k and on November 27, 2014, 6,000 shares at a price of € 35.480 each with a total volume of € 213k.
- On November 21, 2014, Mr. Martin Witt exercised 15,000 subscription rights and received in return 5,948 shares of United Internet AG. The total volume amounted to € 199k. On November 25, 2014, he sold 5,990 shares at a price of € 35.700 each with a total volume of € 214k.
- On November 27, 2014, Mr. Michael Scheeren sold 100,000 shares at a price of € 35.487 each. The total volume amounted to € 3,549k.
- On November 26, 2014, Mr. Robert Hoffmann exercised 150,000 subscription rights and received in return 40,071 shares of United Internet AG. The total volume amounted to € 1,344k. On December 3, 2014, he sold 22,126 shares at a price of € 34.986 each with a total volume of € 774k.

No further Directors' Dealings were reported to the company by its executive bodies.

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

As of December 31, 2014, the capital stock amounted to € 205,000,000 with the same number of voting rights. Total shareholdings of Management Board members amounted to 40.26% of capital and votes, the total shareholdings of Supervisory Board members amounted to 0.15% of capital and votes. Of the executive bodies, only Mr. Dommermuth held a shareholding of more than 1% (namely 40.00%) of capital and votes.

Shareholdings of Management Board and Supervisory Board members

Shareholding	**January 1, 2014**		**January 1, 2014**	**December 31, 2014**		**December 31, 2014**
Management Board	Direct	Indirect	Total	Direct	Indirect	Total
Ralph Dommermuth	0	82,000,000	82,000,000	0	82,000,000	82,000,000
Robert Hoffmann	29,405	0	29,405	75,000	0	75,000
Norbert Lang	222,572	402,428	625,000	256,405	197,428	453,833
Jan Oetjen	---	---	---	3,994	0	3,994
Martin Witt	---	---	---	0	0	0
	251,977	82,402,428	82,654,405	335,399	82,197,428	82,532,827
Supervisory Board	Direct	Indirect	Total	Direct	Indirect	Total
Kurt Dobitsch	---	---	---	---	---	---
Kai-Uwe Ricke	---	---	---	---	---	---
Michael Scheeren	500,000	---	500,000	300,000	---	300,000
	500,000	---	500,000	300,000	---	300,000

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

The corporate governance of United Internet is based on the German Corporate Governance Code, which the Government Commission set up by the Federal Justice Minister in September 2001 published for the first time on February 26, 2002. The twelfth and currently valid version of the German Corporate Governance Code was completed on June 24, 2014 and published by the Ministry of Justice in the Federal Gazette (http://www.bundesanzeiger.de) on September 30, 2014.

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, 2015, the Management Board and Supervisory Board of United Internet AG submitted their current annual declaration of conformity (presented below) in accordance with Sec. 161 AktG and immediately published it on the company's website (www.united-internet.de), as well as in the Federal Gazette.

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

Since submitting its last Declaration of Conformity issued on March 5, 2014, United Internet AG complied with the recommendations of the "Government Commission German Corporate Governance Code" in its applicable version dated June 24, 2014 ("Code"), whereby the version dated May 13, 2013 was applied until the new version was published in the Federal Gazette on September 30, 2014, and plans to continue to comply with these recommendations with the following exceptions:

Deductibles in the case of D&O insurance policies for Supervisory Board members
(section 3.8 para. 3 of the Code)
The D&O insurance policy for Supervisory Board members does not include any deductible. This is also not planned in the future as United Internet AG does not generally believe that the motivation and responsibility with which the members of the Supervisory Board conduct their duties can be improved by such a deductible.

Vertical comparison when setting Management Board compensation (section 4.2.2 para. 2 sentence 3 of the Code)
The recommendation of a vertical comparison for compensation has applied since the pre-version of the Code was published in the Federal Gazette on June 10, 2013. When determining compensation on this basis, the Supervisory Board previously only took comparisons with the Group’s most senior executives into account. In the case of future compensation decisions, the Supervisory Board plans to follow the recommendation of section 4.2.2 para. 2 sentence 3 of the Code without restrictions.

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

Formation of committees (section 5.3 of the Code)
In view of its current size with only three members, the Supervisory Board has not formed any committees and fulfills all its duties as a whole. Under these circumstances, the Supervisory Board cannot recognize how the formation of committees would improve the efficiency of its work.

Targets for the composition of the Supervisory Board (section 5.4.1 para. 2 and 3 of the Code)
In view of the ongoing uncertainties in the regulatory environment, the Supervisory Board has not yet specified any concrete objectives regarding its composition. On December 11, 2014, the German federal cabinet resolved on a draft *Law for the equal participation of women and men in leadership positions in the private sector and the public sector*, which is currently going through the legislative process. Among other things, the draft includes an obligation to set targets for raising the proportion of women on supervisory boards. Should such legislation come into effect, the Supervisory Board intends to set specific targets regarding its composition and to consider such aspects when making election proposals at future Annual Shareholders’ Meetings.

Consideration of the Deputy Chair when setting compensation for Supervisory Board members (section 5.4.6 para. 1 sentence 2 of the Code)
When setting compensation for Supervisory Board members, the position of the Deputy Chair of the Supervisory Board is not considered. The Deputy Chair of the Supervisory Board does not currently undertake any additional duties which would represent a greater burden compared to those of a regular Supervisory Board member.

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

The present performance-related compensation of Supervisory Board members paid in addition to a fixed remuneration component is possibly not fully oriented toward sustainable growth of the enterprise as defined by section 5.4.6 para. 2 sentence 2 of the Code. Part of the variable compensation component is connected with exceeding a threshold in terms of consolidated earnings per share in the fiscal year; moreover, an additional variable compensation component was granted for the fiscal years 2013 and 2014 which is measured in terms of the percentage change in consolidated earnings per share in the given fiscal year compared with the status three years previously. For the fiscal year 2015 and subsequent years, the Supervisory Board and Management Board intend to present a new remuneration system which complies fully with the Code at the Annual Shareholders' Meeting 2015 and to seek the adoption of a resolution on this item.

Publications on accounting
(section 7.1.2 sentence 4 of the Code)
Due to organizational, internal reasons, United Internet AG only published its interim report for the first quarter of 2014 and its report for the first nine months of 2014 on May 20, 2014 and November 18, 2014, respectively. For the same reasons, the interim report for the first quarter of 2015 will be published on May 19, 2015 and the report for the first nine months of 2015 on November 17, 2015.

8 Remuneration report

Principles of the Management Board remuneration system

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

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

The fixed remuneration component is paid monthly as a salary. The size of the variable remuneration component depends on reaching certain, fixed financial targets agreed at the beginning of the fiscal year. These targets are based mainly on key sales and earnings figures. The target attainment corridor is generally between 90% to 120%. No bonus is paid below 90% of the agreed target and the bonus calculation is capped at 120% of the agreed target. There is no provision for subsequent amendment of the performance targets. No minimum payment of the variable remuneration component is guaranteed. In the case of four Management Board members, there is a component providing long-term incentives in the form of a compensation program based on virtual shares (SARs). The exercise hurdle of this program is 120% of the share price. Payment of value growth is capped at 100% of the calculated share price when the virtual options were granted.

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

The size of the remuneration components is regularly reviewed, whereby the Supervisory Board also takes account of Management Board remuneration in relation to compensation for senior management (as of fiscal 2015) and the workforce as a whole over time.

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

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

For subscription rights and other share-based payments, the fair value at the time of granting is calculated.

Benefits granted (in €k)	Ralph Dommermuth			
	CEO			
	Since 2000			
	2013	2014	2014 (min)	2014 (max)
Fixed compensation	300	300	300	300
Fringe benefits				
Total	**300**	**300**	**300**	**300**
One-year variable compensation	240	240	0	288
Multi-year variable compensation				
Total	**540**	**540**	**300**	**588**
Service cost				
Total compensation	**540**	**540**	**300**	**588**

Benefits granted (in €k)	Norbert Lang			
	Finance			
	Since 2000			
	2013	2014	2014 (min)	2014 (max)
Fixed compensation	300	300	300	300
Fringe benefits				
Total	**300**	**300**	**300**	**300**
One-year variable compensation	190	190	0	228
Multi-year variable compensation				
Total	**490**	**490**	**300**	**528**
Service cost				
Total compensation	**490**	**490**	**300**	**528**

Benefits granted (in €k)	Robert Hoffmann			
	Business Applications			
	Since January 1, 2013			
	2013	2014	2014 (min)	2014 (max)
Fixed compensation	300	300	300	300
Fringe benefits				
Total	**300**	**300**	**300**	**300**
One-year variable compensation	200	200	0	240
Multi-year variable compensation	2,060			
SAR program H 2012 (6 years)	2,060			
Total	**2,560**	**500**	**300**	**540**
Service cost				
Total compensation	**2,560**	**500**	**300**	**540**

Benefits granted (in €k)	Jan Oetjen			
	Consumer Applications			
	Since October 1, 2014[1]			
	2013	2014	2014 (min)	2014 (max)
Fixed compensation		292	292	292
Fringe benefits				
Total		**292**	**292**	**292**
One-year variable compensation		242	0	290
Multi-year variable compensation		1,425	0	1,425
SAR program H 2014 (6 years)		1,425[2]	0	1,425[2]
Total		**1,959**	**292**	**2,007**
Service cost				
Total compensation		**1,959**	**292**	**2,007**

Benefits granted (in €k)	Martin Witt			
	Access			
	Since October 1, 2014[1]			
	2013	2014	2014 (min)	2014 (max)
Fixed compensation		275	275	275
Fringe benefits				
Total		**275**	**275**	**275**
One-year variable compensation		175	0	210
Multi-year variable compensation		1,425	0	1,425
SAR program H 2014 (6 years)		1,425[2]	0	1,425[2]
Total		**1,875**	**275**	**1,910**
Service cost				
Total compensation		**1,875**	**275**	**1,910**

(1) The Management Board members Jan Oetjen and Martin Witt received their compensation for 2014 via subsidiaries of United Internet AG. Compensation for 2014 was disclosed on a full-year basis.

(2) The multi-year variable compensation of Mr. Oetjen and Mr. Witt was granted before they were appointed to the Management Board of United Internet AG.

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

Allocation (in €k)	Ralph Dommermuth	Norbert Lang	Robert Hoffmann	Jan Oetjen	Martin Witt
	CEO	Finance	Business Applications	Consumer Applications	Access
	Since 2000	Since 2000	Since Jan. 1, 2013	Since Oct. 1, 2014[1]	Since Oct. 1, 2014[1]
	2014	2014	2014	2014	2014
Fixed compensation	300	300	300	292	275
Fringe benefits					
Total	**300**	**300**	**300**	**292**	**275**
One-year variable compensation	247	196	200	242	175
Multi-year variable compensation		1,104	2,246	1,172	320
SAR program E 2009 (6 years)		1,104		276	
SAR program F 2009 (6 years)			1,344	896	
SAR program A 2011 (6 years)					121
SAR program B 2011 (6 years)			902		
SAR program F 2012 (6 years)					199
Other					
Total	**547**	**1,600**	**2,746**	**1,706**	**770**
Service cost					
Total compensation	**547**	**1,600**	**2,746**	**1,706**	**770**

(1) The Management Board members Jan Oetjen and Martin Witt received their compensation for 2014 via subsidiaries of United Internet AG. Compensation for 2014 was disclosed on a full-year basis.

Further details on Management Board remuneration are provided in section 42 of the notes to the consolidated financial statements.

Principles of the Supervisory Board remuneration system

The 3 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. The Supervisory Board members each receive separate compensation for their work on behalf of the two companies. 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 has been a variable long-term compensation component for each member of the Supervisory Board, including the Chairman. This consists 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.

The recommendations of the German Corporate Governance Code regarding the remuneration system for supervisory boards have changed since the last compensation resolution of the Annual Shareholders' Meeting of United Internet AG on June 2, 2010. The German Corporate Governance Code now recommends that supervisory board members receive only a fixed compensation in order to strengthen their independence and that variable compensation should no longer be granted. Against this backdrop, the Supervisory Board and Management Board will present to the Annual Shareholders' Meeting to be held on May 21, 2015, a resolution on a new compensation system which is fully compliant with the latest German Corporate Governance Code. It comprises a fixed annual remuneration component and an attendance fee per meeting.

In view of the various (net) positive special items in fiscal 2014 and against the background of the planned new remuneration system, the Supervisory Board of United Internet AG has opted for voluntary self-restraint in its compensation for 2014 based on the amounts of the previous year.

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

Stock-based compensation

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

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

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

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

Detailed information on stock-based compensation is provided in section 37 of the notes to the consolidated financial statements.

9 Dependent company report

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

Montabaur, March 20, 2015

The Management Board

Ralph Dommermuth   Robert Hoffmann   Norbert Lang   Jan Oetjen   Martin Witt

Consolidated Annual Financial Statements

acc. to IFRS

as at
December 31, 2014

United Internet AG - Consolidated balance sheet acc. to IFRS as of December 31, 2014 in €k

ASSETS	Note	December 31, 2014	December 31, 2013 *
Current assets			
Cash and cash equivalents	19	50,829	42,775
Trade accounts receivable	20	193,142	135,524
Inventories	21	42,630	44,388
Prepaid expenses	22	66,627	53,264
Other financial assets	23.1	13,444	18,664
Other non-financial assets	23.2	377,474	4,734
		744,146	299,349
Non-current assets			
Shares in associated companies	24	34,932	115,311
Other financial assets	25	695,287	47,555
Property, plant and equipment	26	689,302	116,175
Intangible assets	27	385,474	165,078
Goodwill	28	977,043	452,812
Trade accounts receivable		23,506	0
Prepaid expenses	30	37,097	7,256
Deferred tax assets	16	86,638	66,758
		2,929,279	970,945
Total assets		**3,673,425**	**1,270,294**
LIABILITIES			
Current liabilities			
Trade accounts payable	31	356,141	260,216
Liabilities due to banks	32	30,061	23,038
Advance payments received		11,766	11,719
Accrued taxes	33	139,246	22,245
Deferred revenue	34	210,586	183,697
Other accrued liabilities	35	12,561	4,672
Other financial liabilities	36.1	94,817	53,217
Other non-financial liabilities	36.2	32,378	44,868
		887,556	603,672
Non-current liabilities			
Liabilities due to banks	32	1,343,941	317,004
Deferred tax liabilities	16	73,576	25,427
Trade accounts payable		4,193	0
Deferred revenue		24,295	0
Other accrued liabilities		35,894	0
Other financial liabilities	36.3	99,241	16,338
		1,581,140	358,769
Total liabilities		**2,468,696**	**962,441**
Equity			
Capital stock	38	205,000	194,000
Additional paid-in capital	39	369,353	27,702
Accumulated profit	39	460,671	104,819
Treasury stock	38	-35,335	-5,178
Revaluation reserves	39	216,745	9,074
Cash flow hedge reserve	39	0	-5,376
Currency translation adjustment	39	-12,446	-19,698
Equity attributable to shareholders of the parent company		**1,203,988**	**305,343**
Non-controlling interests		741	2,510
Total equity		**1,204,729**	**307,853**
Total liabilities and equity		**3,673,425**	**1,270,294**

* adjusted - see note 2.2

United Internet AG - Statement of comprehensive income acc. to IFRS
from January 1, 2014 to December 31, 2014 in €k

	Note	2014 January - December	2013 * January - December
Sales	5	3,064,962	2,655,705
Cost of sales	6 , 9 , 12	-2,034,486	-1,742,791
Gross profit		**1,030,476**	**912,914**
Selling expenses	7 , 9 , 12	-481,292	-481,434
General and administrative expenses	8, 9 , 12	-136,904	-120,407
Other operating expenses	9.1	-39,954	-37,917
Other operating income	9.2	244,374	39,333
Amortization of goodwill	11	0	-300
Operating result		**616,700**	**312,189**
Financial expenses	13	-29,499	-18,904
Financial income	14	4,294	7,676
Amortization of financial assets		-705	0
Result from associated companies	15	-11,862	-4,603
Pre-tax result		**578,928**	**296,358**
Income taxes	16	-131,504	-89,372
Net income before non-controlling interests		**447,424**	**206,986**
Attributable to			
non-controlling interests		300	537
shareholders of United Internet AG		447,124	206,449
Result per share of shareholders of United Internet AG (in €)			
- basic	17	2.28	1.07
- diluted	17	2.26	1.06
Weighted average shares (in million units)			
- basic	17	196.42	193.69
- diluted	17	197.80	195.12
Statement of comprehensive income			
Net income		447,424	206,986
Items that may be reclassified subsequently to profit or loss			
Currency translation adjustment - unrealized		7,252	-2,404
Market value changes of held-for-sale financial instruments after taxes - unrealized		210,841	-555
Tax effect		-3,170	8
Change in cash flow hedge reserve after taxes - unrealized		7,682	3,674
Tax effect		-2,306	-1,108
Other comprehensive income		220,299	-385
Total comprehensive income		**667,723**	**206,601**
Attributable to			
non-controlling interests		300	530
shareholders of United Internet AG		667,423	206,071

* adjusted - see note 2.2

United Internet AG - Consolidated Cash Flow Statement acc. to IFRS
from January 1, 2014 to December 31, 2014 in €k

	2014 January - December	2013 * January - December
Cash flow from operating activities		
Net income	447,424	206,986
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of intangible assets and property, plant and equipment	102,674	79,943
Amortization of intangible assets resulting from company acquisitions	18,212	14,493
Goodwill impairment	0	300
Amortization of financial assets	705	0
Compensation expenses from employee stock option plans	3,222	2,434
Results of at-equity companies	11,862	4,603
Distributed profit of associated companies	331	310
Income from deconsolidation of associated companies	-118,523	0
Income from contribution of associated companies	-75,802	0
Loss from deconsolidation of associated companies	884	0
Change in deferred taxes	-15,675	-21,424
Other non-tax items from tax adjustments	3,930	0
Other non-cash items	129	-7,515
Other adjustments	1,190	0
Operative cash flow	**380,563**	**280,130**
Change in assets and liabilities		
Change in receivables and other assets	-34,905	30,445
Change in inventories	1,921	-18,710
Change in deferred expenses	-27,619	-15,343
Change in trade accounts payable	28,207	-12,877
Change in advance payments received	-572	775
Change in other accrued liabilities	3,873	2,527
Change in accrued taxes	98,643	-27,067
Change in other liabilities	-15,795	20,116
Change in deferred income	19,681	8,259
Change in assets and liabilities, total	**73,434**	**-11,875**
Cash flow from operating activities (before capital gains tax payment)	**453,997**	**268,255**
Capital gains tax payment	-335,694	0
Cash flow from operating activities	**118,303**	**268,255**
Cash flow from investing activities		
Capital expenditure for intangible assets and property, plant and equipment	-72,310	-59,927
Payments from disposals of intangible assets and property, plant and equipment	4,886	3,268
Purchase of shares in affiliated companies less cash received	-942,233	-130,148
Disposal of cash due to deconsolidation of affiliated companies	0	-193
Purchase of shares in associated companies	-23,065	-22,724
Refunding from shares in associated companies	7,817	2,811
Investments in other financial assets	-334,719	0
Payments for loans granted	-2,184	-2,950
Payments from loans granted	10,835	818
Refunding from other financial assets	1,162	1,235
Cash flow from investment activities	**-1,349,811**	**-207,810**
Cash flow from financing activities		
Capital increase	348,327	0
Purchase of treasury stock	-38,795	-27,703
Taking out of loans	1,846,960	111,766
Repayment of loans	-813,000	-72,000
Redemption of finance lease liabilities	-3,939	0
Dividend payments	-77,304	-58,038
Dividend payments to non-controlling interests	-1,359	-1,306
Purchase of further shares in affiliated companies	-19,992	-11,893
Cash flow from financing activities	**1,240,898**	**-59,174**
Net increase in cash and cash equivalents	9,390	1,271
Cash and cash equivalents at beginning of fiscal year	42,775	42,648
Currency translation adjustments of cash and cash equivalents	-1,336	-1,144
Cash and cash equivalents at end of fiscal year	**50,829**	**42,775**

* adjusted - see note 2.2

United Internet AG - Consolidated Statement of Changes in Shareholders' Equity acc. to IFRS
from January 1, 2014 to December 31, 2014

	Capital stock		Additional paid-in capital	Accumulated profit	Treasury shares		Revaluation reserves	Cash flow hedge reserve	Currency translation difference	Equity attributable to shareholders of Uinited Internet AG	Non-controlling interests	Total equity
Note	38		39	39	38		39	39	39		40	
	Share	€k	€k	€k	Share	€k	€k	€k	€k	€k	€k	€k
Balance as of January 1, 2013	215,000,000	215,000	25,468	227,012	20,662,202	-263,570	9,621	-7,942	-17,301	188,288	9,855	198,143
Net income				206,449						206,449	537	206,986
Other comprehensive income							-547	2,566	-2,397	-378	-7	-385
Total comprehensive income				206,449			-547	2,566	-2,397	206,071	530	206,601
Purchase of treasury shares					1,376,314	-27,703				-27,703		-27,703
Issue of treasury shares				-16,840	-794,251	16,840				0		0
Cancellation of treasury shares	-21,000,000	-21,000		-248,255	-21,000,000	269,255				0		0
Employee stock ownership program			2,234							2,234		2,234
Dividend payments				-58,038						-58,038		-58,038
Profit distributions										0	-164	-164
Change in amount of holdings				-5,509						-5,509	-7,711	-13,220
Balance as of December 31, 2013	194,000,000	194,000	27,702	104,819	244,265	-5,178	9,074	-5,376	-19,698	305,343	2,510	307,853
Balance as of January 1, 2014	194,000,000	194,000	27,702	104,819	244,265	-5,178	9,074	-5,376	-19,698	305,343	2,510	307,853
Net income				447,124						447,124	300	447,424
Other comprehensive income							207,671	5,376	7,252	220,299	0	220,299
Total comprehensive income				447,124			207,671	5,376	7,252	667,423	300	667,723
Capital increase	11,000,000	11,000	338,429							349,429		349,429
Purchase of treasury shares					1,295,735	-38,795				-38,795		-38,795
Issue of treasury shares				-8,638	-307,662	8,638				0		0
Employee stock ownership program			3,222							3,222		3,222
Dividend payments				-77,304						-77,304		-77,304
Profit distributions										0	-168	-168
Change in amount of holdings				-1,914						-1,914	-1,901	-3,815
Other transactions with equity holders				-3,416						-3,416		-3,416
Balance as of December 31, 2014	205,000,000	205,000	369,353	460,671	1,232,338	-35,335	216,745	0	-12,446	1,203,988	741	1,204,729

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2014

1. General information on the company and accounting

United Internet AG (hereinafter referred to as the “United Internet Group” or the “Company”) is Europe’s leading internet specialist with its two business segments Access (fixed-line and mobile internet access products) and Applications (applications for using the internet).

The Company is registered in 56410 Montabaur, Elgendorfer Strasse 57, Germany and is registered there at the District Court under HR B 5762. The Company has numerous branches and subsidiaries in Germany and around the world.

The consolidated financial statements of United Internet AG were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the relevant supplementary regulations of Section 315a (1) German Commercial Code (HGB).

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

The balance sheet date is December 31, 2014.

The Supervisory Board approved the consolidated financial statements for 2013 at its meeting on March 26, 2014. The consolidated financial statements were published in the German Federal Gazette (“Bundesanzeiger”) on June 13, 2014.

The consolidated financial statements for 2014 were prepared by the Company’s Management Board on March 20, 2015 and subsequently submitted to the Supervisory Board. The consolidated financial statements will be presented to the Supervisory Board for approval on March 25, 2015. Theoretically, there may still be changes until the consolidated financial statements are approved and released for publication by the Supervisory Board. However, the Management Board expects that the consolidated financial statements will be approved in the present version. They are to be published on March 26, 2015.

2. *Accounting and valuation principles*

This section first presents all accounting policies which have been applied consistently in the periods presented in these consolidated financial statements. Following this, those accounting standards applied for the first time in these financial statements are explained, as are those accounting standards recently published but not yet applied.

2.1 Summary of main accounting and valuation methods

Consolidation principles

The consolidated group comprises United Internet AG and all domestic and foreign subsidiaries (majority shareholdings) controlled by it. According to IFRS 10, control exists if an investor has the power to make decisions, is exposed to variable returns, and is able to use power to affect the amount of variable returns. The annual financial statements of subsidiaries are prepared as to the same balance sheet date and using the same standardized accounting and valuation methods as those applied by the parent company.

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

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

Upon loss of control, a gain or loss from the disposal of the subsidiary is recognized in the income statement in the amount of the difference between the (i) proceeds from the disposal of the subsidiary, the fair value of the remaining shares, the carrying amount of the non-controlling interests, and the cumulative amounts of other comprehensive income attributable to the subsidiary, and (ii) the carrying amount of the subsidiary’s net assets to be disposed of.

Non-controlling interests represent the proportion of the result and net assets which is not attributable to the Group. Non-controlling interests are disclosed separately in the consolidated balance sheet. They are disclosed in the consolidated balance sheet as part of shareholders’ equity, but separate to the equity capital attributable to the shareholders of United Internet AG. For purchases of shares without a controlling influence (minority shareholding) or disposals of shares with a controlling influence but without loss of the controlling influence, the carrying values of shares with or without a controlling influence are adjusted to reflect the change in the respective shareholding. The amount by which compensation paid or received for the change in shareholding exceeds the carrying value of the respective share without a controlling influence is recognized directly in equity as a transaction with the shareholders.

Revenue recognition

Revenue is recognized separately for each of the Group's different segments (see also explanations on segment reporting in note 5).

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

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

Access segment

The Access segment mainly comprises the product lines narrowband internet access, broadband/DSL internet access (including internet telephony and video-on-demand), as well as mobile internet.

In these product lines, the Company generates revenue from the provision of the aforementioned access products, as well as from additional services such as internet and mobile telephony or video-on-demand. Revenue consists of fixed monthly basic fees, as well as variable additional usage fees for certain services (e.g. for foreign calls and mobile phone connections not covered by any flat-rate or for accessing individual videos), and proceeds from the sale of the respective hardware and software.

Revenue is recognized according to service provision, which generally corresponds to the receipt of monthly fees paid by customers (usage charges and basic fees). Revenue from the sale of hardware is recognized on transfer of risk at the invoiced amount. Payments on account received from customers are carried as deferred income.

The segment also includes revenues from broadband data services, as well as the leasing of telecommunications infrastructure (so-called leased lines), VPNs, and other goods and services. Revenues from leased lines result from finance leases. These revenues are recognized according to time periods or when the service is rendered in accordance with the realization principle. Provision fees are deferred over the lease term. In the case of finance leases as defined by IAS 17, i.e. when all material risks and rewards from usage are transferred to the lessee, the present value of the minimum lease payments from the economic sale of leased lines is recognized as revenue from the beginning of lease term. The leased asset is derecognized through cost of sales.

Applications segment

The Applications segment comprises United Internet's application business – whether ad-financed or via fee-based subscriptions. These applications include domains, home pages and e-shops, Personal Information Management applications (e-mail, to-do lists, appointments, addresses), group work, online storage and office software. The Company also offers its customers performance-based advertising and sales possibilities via Sedo and affilinet.

In the field of fee-based subscriptions, revenue is mainly generated from fixed monthly fees for the usage, administration and storage of the above applications, as well as income from the brokerage and administration of domains. In addition to fixed monthly fees, one-off fees are also generated for set-up services, SMS charges or from the sale of software products (e.g. virus protection software).

Customers generally pay in advance for a contractually fixed time period for the services to be provided by the Company. Revenue is recognized pro rata over the period of service provision.

In the field of ad-financed applications (generally free e-mail solutions from GMX and WEB.DE), the Company generates advertising income and e-commerce commission via the WEB.DE, 1&1, GMX and smartshopping portals. This business is based on the frequent use of free applications and the correspondingly high number of hits for the portals. In the field of online advertising, space is offered on the websites of portals. Realized revenues depend on the placing of advertising and number of screenings or according to click rates. In its e-commerce business, the Company receives commission for the sale of products or brokerage of customers.

Revenues are realized according to services rendered. Advance customer payments are carried as deferred income.

In addition to application revenues, the segment also generates revenue from the performance-based advertising formats Domain Marketing and Affiliate Marketing.

In Domain Marketing, United Internet operates (via Sedo GmbH) a trading platform for the secondary domain market (domain trading). At the same time, the Company offers domain owners the possibility to market unused domains to advertisers (domain parking). In addition to these customer domains, the Company also holds its own portfolio of marketable and salable domains. In domain trading, the Company receives sales commission from the successful sale of domains via the platform and also generates revenue from services relating to domain value assessments and transfers. The sales commissions and services are generally based on a percentage of the sales price achieved, whereas fixed prices are charged for the other services. In domain parking, domains are mainly marketed using text links, i.e. links on the parked domains to offers of the advertisers (primarily via cooperation agreements with search engines). The Company receives performance-based payment on a monthly basis from the cooperation partner on a pay-per-click basis, according to the number of clicks registered by the cooperation partner.

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

United Internet operates an internet platform for Affiliate Marketing via the company affilinet GmbH. An affiliate program (partner program) is an internet-based sales solution whereby a merchant (the advertiser) pays a performance-oriented commission to his sales partner (the affiliate). The advertiser places the respective advertising message on the platform, which the affiliate can then use on his website to promote the advertiser's offer.

The advertiser recruits, controls and remunerates affiliates via the common platform. As the platform operator, affilinet is compensated by the advertiser for the use of administration and management tools provided on the platform, as well as for the calculation of transactions and the monthly payments to affiliates. Invoicing is based on the commission to be paid to the affiliate. This can be on a cost-per-click, cost-per-action or cost-per-sale basis, or a mixture of these three.

Revenue is recognized on completion of performance. Amounts invoiced in advance are recognized less performance completed as advance payments received.

Disclosure of disposal gains and losses from the sale of investments

Insofar as they concern effects on the income statement, regular carrying amounts and valuations, especially of investments in associated companies and available-for-sale shares, are disclosed in the financial result (see explanations on the financial result).

Gains from the sale of such investments are always disclosed under other operating income, losses under other operating expenses.

Foreign currency translation

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

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

The exchange rates of major currencies developed as follows:

(in relation to 1 euro)	Closing rate		Average rate	
	12/31/14	12/31/13	2014	2013
US dollar	1.214	1.379	1.329	1.328
UK pound	0.779	0.834	0.806	0.849

Property, plant and equipment

Property, plant and equipment is always carried at cost less cumulative scheduled depreciation.

Items of property, plant and equipment are eliminated either on their disposal or when no further economic use is expected from the continued use or sale of the asset. Gains and losses from the disposal of an asset are recognized in the income statement.

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

Property, plant and equipment assets are depreciated over their expected economic useful life using the straight-line method.

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

	Useful life in years
Leasehold improvements	Up to 10 (depending on lease period)
Buildings	10 or 50
Vehicles	5 to 6
Telecommunication equipment	7 to 10
Backbone	20
Other operational and office equipment	3 to 10
Office furniture and fixtures	5 to 13
Servers	3 to 5

For property, plant and equipment acquired in connection with company acquisitions, the applicable remaining useful life is determined primarily on the basis of the aforementioned useful lives and the useful lives elapsed at the time of acquisition.

Impairment tests and the recognition of impairment losses or reversals are conducted in the same way as for intangible assets with finite useful lives (see below).

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred, unless they are connected with the production or purchase of a qualifying asset. In the period under review, there was no need to capitalize borrowing costs.

Business combinations and goodwill

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

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

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

The impairment need is determined by comparing the recoverable amount of the cash-generating units to which goodwill refers with their carrying value. The recoverable amount of an asset, or a cash-generating unit, is the higher of fair value of the asset or cash-generating unit less transaction costs and its value-in-use. In order to determine the value-in-use, expected future cash flows are discounted to their present value using a pre-tax discount rate which reflects current market expectations regarding the interest effect and the specific risks of the asset. A suitable valuation model is used to determine fair value less sales costs. This is based on DCF models, valuation multipliers, the share prices of listed subsidiaries or other available indicators for fair value. If the carrying amount of an asset, or cash-generating unit, exceeds its recoverable amount, the asset, or cash-generating unit, is regarded as impaired and is written down to the recoverable amount. An impairment loss recognized for goodwill may not be reversed in the following reporting periods. The Group performs its annual impairment test for goodwill on the balance sheet date.

Intangible assets

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

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

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

Intangible assets with indefinite useful lives are not amortized in scheduled amounts. Instead, an impairment test is performed at least once annually on the balance sheet date for the individual asset or on the level of the cash-generating unit. The impairment test is conducted in the same way as for goodwill. The useful life of an intangible asset with an indefinite useful life is reviewed annually to ascertain whether the assumption of an indefinite useful life is still justified. If this is not the case, a prospective change is made from indefinite useful life to limited useful life.

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

	Useful life in years
Trademarks	Indefinite
Customer base	4 to 25
Licenses and other rights	2 to 15
Software	3 to 5

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

Investments in associated companies

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

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

Upon loss of significant influence, a gain or loss from the disposal of the associated company is recognized in the amount of the difference between the (i) proceeds from the disposal of the shares, the fair value of the remaining shares, and the cumulative amounts of other comprehensive income attributable to the associated company, and (ii) the carrying amount of the investment to be disposed of.

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

On application of the equity method, the Company ascertains whether it is necessary to recognize an additional impairment loss for the Company's investments in associated companies. On each balance sheet date, the Company assesses whether there are objective indications for the impairment of an investment in an associated company. If this is the case, the difference between the fair value of the associated company and the carrying amount is recognized as an impairment loss. Impairment tests and the recognition of impairment losses or reversals are conducted in the same way as for intangible assets with finite useful lives.

Fair value measurement

In some cases, assets and liabilities are measured either on initial recognition or during subsequent valuations at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible for the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Leases

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

- Group as lessee

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

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

Significant agreements classified as finance leases relate to IRU agreements (Indefeasible Rights of Use) and the use of leased city networks of the Versatel Group. IRUs are amortized over the contract term or, if there is a favorable purchase option, over their economic useful life.

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

- Group as lessor

In those cases where Group companies agree finance leases as the lessor, a receivable is recognized at an amount equal to the net investment in the lease. The lease payments are apportioned between repayment of principal and finance income.

If the Group bears all substantial risks and rewards (operating lease), the leased asset is recognized in the balance sheet by the lessor. Measurement of the leased asset is then based on the accounting policies applicable to that asset. The lease payments are recognized in profit or loss by the lessor.

Financial instruments – financial assets

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

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

Financial assets are classified according to the valuation categories

- loans and receivables
- available-for-sale financial assets

at the moment of initial recognition.

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

<u>Loans and receivables</u> are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market. Following initial recognition, loans and receivables are carried at amortized cost using the

effective interest method less allowances for impairment. Profits and losses are recognized in the period when the loans and receivables or eliminated or impaired or as part of amortization.

Available-for-sale financial assets are non-derivative financial assets which are classified as being available for sale and which have not been assigned to any other category. After initial recognition, available-for-sale financial assets are carried at fair value, unless there is significant uncertainty in the estimation of value. Non-realized profits or losses are recognized directly in equity in the revaluation reserve. Impairment is recognized in profit or loss. On disposal of available-for-sale financial assets, the cumulative profit or loss previously recognized in equity is reclassified to the income statement. If the fair value of available-for-sale financial assets cannot be reliably calculated, they are measured at amortized cost. If they were previously classified as financial assets held at fair value through profit or loss, they are reclassified correspondingly in the case of is significant uncertainty in the estimation of value. Fair value at this moment represents the acquisition cost under the new valuation category.

Financial instruments – impairment of financial assets

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

If there is an objective indication that financial assets carried at amortized cost are impaired, the loss is calculated as the difference between the asset's carrying value and the present value of the expected future cash flows (with the exception of expected future credit losses not yet occurred), discounted with the original effective interest rate of the financial asset (i.e. the effective interest rate on initial recognition). Allowances for trade receivables are made on the basis of experience values by classifying receivables according to age and on the basis of other information regarding the impairment of customer-specific receivables. The asset's carrying value is reduced using an impairment account. The impairment loss is recognized in the income statement. If the scale of the impairment is reduced in one of the following reporting periods and this reduction can be objectively attributed to an event occurring after recognition of impairment, the allowance is reversed. This write-back is limited in scale to amortized cost at the time of the write-back. The write-back is recognized in the income statement.

If the value of an available-for-sale financial asset is impaired, an amount recognized in equity amounting to the difference between acquisition cost (less any redemption and amortization) and current fair value, less any previous allowances expensed for this financial asset, is reclassified to the income statement. Write-backs of equity instruments classified as available-for-sale, are not recognized in the income statement. In order to ascertain impairment requiring recognition, information concerning all adverse changes in the technological, market-related, economic or legal environment is considered. A significant or persistent decrease in the fair value of an equity instrument below its acquisition cost is also an objective indication of impairment. Write-backs of debt instruments classified as available-for-sale, are recognized in the income statement if the increase in the instrument's fair value objectively results from an event which occurred after recognizing an impairment charge.

Financial instruments – financial liabilities

The Group's financial liabilities mainly comprise trade accounts payable, liabilities due to banks, and liabilities from finance leases.

Financial liabilities are initially recognized at the fair value of the consideration received less transaction costs relating to the loan. Liabilities from finance leases are initially recognized at the present value of the minimum lease payments.

After initial recognition, they are measured at amortized cost using the effective interest method.

Financial instruments – derivative financial instruments and hedging relationships

The Group uses derivative financial instruments in the form of interest swaps, in order to hedge against interest risks. Derivative financial instruments are recognized at fair value on the date of the agreement and carried at fair value in the subsequent periods. The fair value of interest derivatives is calculated on the basis of present value models using market information (interest rate curves) as well as – where material – the individual credit risk of the Company. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative. Profit or loss resulting from changes in the fair value of derivative financial instruments which do not meet the criteria for recognition as hedging relationships are recognized immediately in the income statement.

When entering into a hedging relationship to hedge against the risk of cash flow fluctuations, certain derivatives are allocated to underlying transactions which can be attributed to a risk connected with a recognized asset or liability or the risk connected with the intended transaction (cash flow hedge). The hedging instruments in a hedge are also carried at market values. However, changes in value relating to the effective portion are recognized in the cash flow hedge reserve, a separate item under equity ("Cash flow hedge reserve"). Any ineffectiveness is recognized in profit or loss. Effectiveness is measured as at the end of the reporting period using the hypothetical derivative method. The amounts recognized in equity are reclassified to the statement of comprehensive income in the period in which the hedge influences the period result, e.g. when hedged financial income or expenses are recognized or when an expected sale is made.

Inventories

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

Valuation is based in part on time-related write-downs for inventories. Both the size and distribution over time of such write-downs represents a best-possible estimation of net realizable value and are thus subject to uncertainties. On indication of decreased net realizable value, inventories are corrected by recognizing suitable impairment charges.

Treasury shares

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

The cancellation of treasury shares results in the pro rata reversal of the item "Treasury shares" disclosed in shareholders' equity at the expense of the remaining shareholders' equity. The Group uses the following application sequence:

- The cancellation of treasury shares is always deducted from share capital in the amount of the par value.
- The amount exceeding par value is first derecognized in the amount of the value contribution from employee stock ownership plans (SARs and convertible bonds) against capital reserves.
- Any amount exceeding the value contribution from employee stock ownership plans is derecognized against accumulated profit.

Cash and cash equivalents

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

Pensions and other post-employment benefits

Payments to defined contribution retirement benefit plans are expensed on payment of salary to the employee.

Provisions

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

Share-based payment

Group employees receive share-based payments as remuneration for their work in the form of equity instruments and the granting of value growth rights, which may be settled in cash or via equity instruments at the Company's discretion. As the United Internet Group has no agreements with a current obligation for cash settlement, all share-based payment transactions are carried in the balance sheet as equity-settled payment transactions.

The cost of granting equity instruments is measured using the fair value of such equity instruments on the date of granting. Fair value is measured using a suitable option price model. With the aid of the respective valuation process, the value component is determined at the time of granting, also for subsequent valuation until the end of the term. On every valuation date, however, the expected exercise volume is to be reassessed with a corresponding adjustment of the additional amount under consideration of additions already made. Any necessary adjustment bookings are to be made in the period in which new information about the exercise volume becomes available. The measurement of cost from the granting of equity instruments and the corresponding increase in equity occurs over the period in which the vesting or performance conditions have to be satisfied (the so-called vesting period). This period ends after the vesting date, i.e. the date on which the employee concerned has gained irrevocable entitlement. The cumulative expenses recognized on each balance sheet date for equity-settled transactions until the vesting date reflect the extent to which the vesting period has expired and the number of equity instruments which, according to the Group's best-possible estimate, will actually be vested after the vesting period. The income or expense recognized in the income statement represents the development of cumulative expenses recognized at the beginning and end of the reporting period. No expense is recognized for payment rights which are not vested.

Earnings per share

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

Diluted earnings per share are calculated similarly to basic earnings per share with the exception that the average number of shares outstanding increases by the portion which would result if the exercisable subscription rights resulting from employee stock participation programs had been exercised.

Financial income

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

Government grants

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

Current income tax and deferred taxes

The tax expense for a period comprises current taxes and deferred taxes. Taxes are recognized in the income statement, unless they relate to transactions that are recognized in other comprehensive income or directly in equity. In these cases, taxes are recognized accordingly in other comprehensive income or directly in equity.

Current taxes are valued at the amount at which a refund from the tax authorities or a payment to the tax authorities is expected. The amount is calculated on the basis of the tax rates and tax laws applicable on the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the profit according to IFRS nor taxable profit or loss, and

- in respect of taxable temporary differences associated with investments in subsidiaries, associated companies and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the profit or loss according to IFRS nor taxable profit or loss, and

- in respect of taxable temporary differences associated with investments in subsidiaries, associated companies and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted as of the balance sheet date.

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

2.2 Effects of new or amended IFRS standards

The following standards and interpretations amended or published by the IASB were mandatory in fiscal year 2014:

- **IFRS 10, 11, 12** – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities
- **Amendments to IFRS 10, 11, 12** – Transitional Provisions on Consolidation Standards
- **Amendments to IFRS 10, 12, IAS 27** – Investment Entities
- **IAS 27** – Separate Financial Statements
- **IAS 28** – Investments in Associates and Joint Ventures
- **Amendments to IAS 32** – Offsetting Financial Assets and Financial Liabilities
- **Amendments to IAS 36** – Recoverable Amount Disclosures for Non-Financial Assets
- **Amendments to IAS 39** – Novation of Derivatives and Continuation of Hedge Accounting
- **IFRIC 21** – Interpretation of Accounting for Levies

The new or amended standards have been fully taken into account in the consolidated financial statements. The new standard on consolidated financial statements IFRS 10, issued in May 2010 as part of a “package” of five new and revised standards, has had a particular impact on the consolidated financial statements. IFRS 10 changes the definition of “control” so that the same criteria are applied to all companies to determine a controlling relationship. This definition is supported by wide-ranging application guidelines illustrating the various ways that a reporting company (investor) can control another company (investment). The risk-opportunity approach previously specified by SIC-12 is no longer relevant for the purpose of assessing the existence of control under IFRS 10. During the initial application of IFRS 10, an analysis of control over the relevant activities of the European Founders Fund No. 2 and No. 3 discovered that there was no control over the variable returns from these investments as defined by this standard. Further analysis showed that there was no joint control of these two funds but rather a significant influence. On this basis, shares in the special-purpose entities European Founders Fund No. 2 and No. 3, which were fully consolidated until December 31, 2013, were classified as associated companies as of January 1, 2014 (until their contribution to Rocket Internet AG in August 2014) and accounted for in the consolidated financial statements using the equity method. There was no impact on net income for the period or equity. Due to the application of the equity method, however, those assets disclosed separately as at December 31, 2013 (mostly other non-current assets of € -10,079k) and liabilities (mostly liabilities due to minority shareholders of € 4,239k) are now summarized in the item "Shares in associated companies"; the earnings components from these funds were thus mainly disclosed until August 2014 in the result from associated companies. IFRS 10 is to be applied retrospectively, i.e. as if the equity method had always been applied. This led to the adjustments of the prior-year figures of the following items in the consolidated financial statements:

ASSETS	**December 31, 2012**	**EFF**	**December 31, 2012 adjusted**	**December 31, 2013**	**EFF**	**December 31, 2013 adjusted**
Current assets						
Cash and cash equivalents	42,828	-180	42,648	43,311	-536	42,775
Other receivables and assets, total	224,094	0	224,094	237,910	0	237,910
Other financial assets	19,531	-369	19,162	18,751	-87	18,664
	286,453	-549	285,904	299,972	-623	299,349
Non-current assets						
Shares in associated companies	90,881	6,893	97,774	108,985	6,326	115,311
Other financial assets	70,133	-10,683	59,450	57,634	-10,079	47,555
Other assets, total	660,241	0	660,241	808,079	0	808,079
	821,255	-3,790	817,465	974,698	-3,753	970,945
Total assets	**1,107,708**	**-4,339**	**1,103,369**	**1,274,670**	**-4,376**	**1,270,294**
LIABILITIES						
Current liabilities						
Trade accounts payable	268,668	-39	268,629	260,222	-6	260,216
Other liabilities and provisions, total	345,487	0	345,487	290,239	0	290,239
Other financial liabilities	51,464	-225	51,239	53,348	-131	53,217
	665,619	-264	665,355	603,809	-137	603,672
Non-current liabilities						
Other liabilities, total	220,732	0	220,732	342,431	0	342,431
Other financial liabilities	23,214	-4,075	19,139	20,577	-4,239	16,338
	243,946	-4,075	239,871	363,008	-4,239	358,769
Total liabilities	**909,565**	**-4,339**	**905,226**	**966,817**	**-4,376**	**962,441**
Equity						
Total equity	**198,143**	**0**	**198,143**	**307,853**	**0**	**307,853**
Total liabilities and equity	**1,107,708**	**-4,339**	**1,103,369**	**1,274,670**	**-4,376**	**1,270,294**

In the statement of comprehensive income, other operating income of fiscal year 2013 was reduced by € 562k from the sale of shares in portfolio companies of European Founders Fund No. 2 and No. 3. In addition, income from companies accounted for using the equity method was increased by € 310k and administrative expenses by € 212k.

The adjustment of earnings from companies accounted for using the equity method led to a decrease in operative cash flow of € 310k to € 280,130k while the cash flow from operating activities decreased due to the restatement of assets and liabilities by a total of € 356k to € 268,255k. In addition, cash and cash equivalents were adjusted.

The introduction of IFRS 12 - Disclosure of Interests in Other Entities results in extended disclosures in the notes to the consolidated financial statements of United Internet AG. The other new standards from the “package” IFRS 11 - Joint Arrangements, IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures had no material impact on the consolidated financial statements.

The amendments to the standards IAS 32 - Adjustments to Offsetting Financial Assets and Financial Liabilities and IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting had no impact on the consolidated financial statements.

The Company applied the amendments to IAS 36 prematurely in fiscal year 2013. With the amendments to IAS 36, the IASB restricted mandatory disclosures on the recoverable amount for cash-generating units which account for a significant proportion of goodwill or intangible assets with unrestricted useful lives. At the same time, however, it expands the scope of the disclosures required in the notes in the event of an impairment or an impairment reversal.

For reasons of standardization and comparability, amortization of capitalized assets resulting from business combinations disclosed in the statement of comprehensive income of the previous year was allocated to the functional areas of cost of sales, selling expenses and general and administrative expenses. The prior-year figures were adjusted accordingly in the Annual Report. Note 10 continues to disclose amortization of capitalized assets resulting from business combinations divided between assets or company acquisitions.

2.3 Accounting standards already published but not yet mandatory

Apart from the IFRSs mentioned above whose application is mandatory, the IASB has also published further IFRSs and IFRICs which have already partly received EU endorsement but which will not become mandatory until a later date. United Internet AG will probably only implement these standards when their adoption becomes mandatory.

Standard		Mandatory for fiscal years beginning on or after	Endorsed by EU Commission
IFRS 9	Financial Instruments (standard and further amendments)	Jan. 1, 2018	No
IFRS 10	Consolidated Financial Statements (amendments)	Jan. 1, 2016	No

IFRS 11	Joint Arrangements (amendments)	Jan. 1, 2016	No
IFRS 12	Disclosure of Interests in Other Entities (amendments)	Jan. 1, 2016	No
IFRS 14	Regulatory Deferral Accounts	Jan. 1, 2016	No
IFRS 15	Revenue from Contracts with Customers	Jan. 1, 2017	No
IAS 1	Presentation of Financial Statements (amendments)	Jan. 1, 2016	No
IAS 16	Property, Plant and Equipment (amendments)	Jan. 1, 2016	No
IAS 19	Defined Benefit Plans: Employee Contributions (amendments)	July 1, 2014	Yes
IAS 27	Separate Financial Statements	Jan. 1, 2016	No
IAS 28	Investments in Associates and Joint Ventures (amendments)	Jan. 1, 2016	No
IAS 38	Intangible Assets (amendments)	Jan. 1, 2016	No
Various	Annual Improvement Project 2010-2012 and 2011-2013	July 1, 2014	Yes
Various	Annual Improvement Project 2014	Jan. 1, 2016	No

Effects on the consolidated financial statements are expected above all from the new standard IFRS 15 - Revenue from Contracts with Customers. The standard provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. It replaces in particular the existing standards IAS 18 - Revenue and IAS 11 - Construction Contracts. When applying IFRS 15 for the first time, an entity shall apply the standard in full for the current period and retrospectively to all contracts that were not complete at the beginning of the reporting period.

For many multiple-element arrangements (e.g. a mobile service contract plus mobile handset), the new provisions will result in a larger share of the total compensation being attributable to the element delivered in advance and thus in earlier recognition of revenue. At the same time, this leads to higher revenue from the sale of merchandise and to lower revenue from the provision of services. A further impact will result from the future capitalization and spreading of expenses for sales commissions, as well as provision fees, over the estimated period of customer retention. The quantitative effects will be analyzed as part of a Group-wide project for implementing the new standard. However, a reliable estimate is not possible until the project has been completed.

In November 2009, the IASB issued IFRS 9 - Financial Instruments which governs the classification and measurement of financial assets. In November 2013, the standard was revised and provisions on hedge accounting were added. In addition, changes in the fair value of liabilities due to a change in the entity's credit risk are no longer to be recognized in profit or loss, but under other comprehensive income. In July 2014, the IASB issued the final version of IFRS 9 as a full standard that combines all previously published provisions with the new provisions on accounting for impairment losses as well as limited changes to the classification and measurement of financial assets. The new provisions are to be applied retrospectively for financial years beginning on or after January 1, 2018. The provisions have not yet been endorsed by the European Union. United Internet is currently analyzing the effects on the presentation of its financial position and performance or cash flows.

No significant changes are expected from the other IFRS amendments.

3. Significant accounting judgments, estimates and assumptions

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

Accounting judgments

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

The consolidated financial statements are affected in particular by IRUs (Indefeasible Rights of Use). With this form of lease, management assesses whether all substantial risks and rewards related to the asset are transferred. If management concludes that all risks and rewards from usage are transferred to the Group company or to the customer, the contract is accounted for in accordance with IAS 17 as a finance lease.

Estimates and assumptions

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

Impairment of non-financial assets

Goodwill and other intangible assets with indefinite useful lives are assessed at least once a year or on indication of impairment. Other non-financial assets are tested for impairment if there is any indication that the carrying value exceeds the recoverable amount. The recoverable value of the respective cash-generating units to which goodwill or intangible assets have been allocated is calculated either as “value-in-use” or fair value less disposal costs.

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

The most important management assumptions for the measurement of the recoverable value of cash-generating units include assumptions regarding the development of sales, margins and the discount rate.

Impairment test for investments in associated companies

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

The recoverable amounts of non-listed companies is based both on available past experience for the respective company and expectations of its future development. As these expectations are based on numerous assumptions, the calculation of recoverable amounts depends on discretionary factors. As of December 31, 2014, the fair value of investments in associated companies amounted to € 34,932k (prior year: € 115,311k).

Share-based payments

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

The same procedure is applied to share-based payments to third parties (e.g. service providers, suppliers etc.). In addition to the above factors, estimates and assumptions are made above all with regard to defining the fair value of the services received, determining the moment of granting and the service period.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates.

The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Trade accounts receivable

Trade accounts receivable are carried in the balance sheet less impairment charges made. Allowances for doubtful claims are made on the basis of a systematic review as well as valuations conducted as part of credit monitoring. Assumptions concerning the payment behavior and creditworthiness of customers are subject to significant uncertainties. The carrying value of trade receivables amounted to € 216,648k as of December 31, 2014 (prior year: € 135,524k).

Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value comprises the estimated sales proceeds less the necessary expected costs up to the time of sale. Valuation is based in part on time-related write-downs for inventories which increase over time. Both the size and distribution over time of such write-downs represents a best-possible estimation of net realizable value and is thus subject to uncertainties. The carrying values of inventories as of the balance sheet date amounted to € 42,630k (prior year: € 44,388k). Please refer to note 21 for further information.

Tangible and intangible assets

Property, plant and equipment and intangible assets are valued at cost on initial recognition. Property, plant and equipment and intangible assets with limited useful lives are then depreciated over their expected economic useful lives using the straight-line method. Expected useful lives are based on historical experience and thus subject to significant uncertainties, especially with regard to unforeseen technological developments. The carrying value of tangible and intangible assets amounted to € 956,939k as of December 31, 2014 (prior year: € 228,325k).

Accounting for business combinations

Business combinations are accounted for using the purchase method. Goodwill arising from a business combination is initially measured at cost, being the excess of the acquisition cost of the operation over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Costs accrued in the course of the business combination are recognized under other operating expense.

However, assumptions made to determine the respective fair value of the acquired assets and liabilities as of the date of acquisition are subject to significant uncertainties. For the identification of intangible assets, depending on the type of intangible asset and complexity of determining its fair value, the Company either uses independent appraisals of external assessors or fair value is determined internally using a suitable assessment technique for the respective intangible asset, generally based on a forecast of total expected future cash flow generation. These valuations are closely related to assumptions and estimates which management has made about the future development of the respective assets and the applicable discounted interest rate.

The carrying values of goodwill as of the balance sheet date amounted to € 977,043k (prior year: € 452,812k). he carrying values of intangible assets resulting from business combinations (excluding goodwill) amounted to

€ 337,766k as of the balance sheet date (prior year: € 97,239k), while tangible assets totaled € 423,174k (prior year: € 1,955 k).

Provisions

Provisions are formed if the Group has a legal or actual obligation resulting from a past event which will probably give rise to the outflow of resources with an economic benefit to fulfill the obligation, provided that the level of the obligation can be reliably estimated. Such estimates are subject to significant uncertainties. The carrying value of provisions amounted to € 48,455k as of December 31, 2014 (prior year: € 4,672 k).

4. Business combinations and investments

4.1. Business combinations in fiscal year 2014

United Internet had held an indirect stake in Versatel of 25.1% via VictorianFibre Holding & Co. S.C.A., Luxembourg, since the end of 2012. The investment in VictorianFibre Holding & Co. S.C.A., Luxembourg, was previously disclosed in the consolidated financial statements of the United Internet Group as an associated company using the equity method.

On September 3, 2014, United Internet announced that it had signed an agreement with the private equity company Kohlberg Kravis Roberts & Co. L.P. (KKR) to acquire the 74.9% of shares in Versatel GmbH, Berlin, and to raise its holding of Versatel shares to 100%. The share purchase was effected via a complete takeover of Versatel's holding company VictorianFibre Holding Beteiligungs-GmbH.

The Versatel Group has been included in the consolidated financial statements of United Internet AG since October 1, 2014 (acquisition date).

The initial consolidation of VictorianFibre Holding Beteiligungs-GmbH was made according to IFRS 3 Business Combinations as a successive business acquisition using the acquisition method. In successive business acquisitions, the buyer must revalue its previous stake at fair value on the date of acquisition and recognize the resulting gain or loss. The results of the acquired company were included in the Group's consolidated financial statements as of the acquisition date.

United Internet paid around € 593 million in cash for the remaining stake of 74.9%. In addition, United Internet assumed existing net bank liabilities of the Versatel Group amounting to € 377 million and provided them to the company as a loan. The amount recognized in the investment section of the statement of cash flows, adjusted for assumed cash (€ 29 million), therefore amounted to € 942 million. The consideration for 100% of shares (including the restated existing shares in the Versatel Group of € 175 million) totals € 1,146 million. The revaluation of existing shares in the Versatel Group resulted in a gain of € 119 million disclosed in other operating income (see note 9.2). The ancillary acquisition costs disclosed in other operating expenses amounted to € 5.1 million as of December 31, 2014.

The preliminary price allocation from this transaction results in goodwill of € 510 million, which mainly reflects the synergy effects from the existing Access business of the United Internet Group. Due to the short period between the acquisition and the preparation of these consolidated financial statements, the following price allocation is only preliminary. The allocation of goodwill to cash-generating units has also not been completed yet.

Assets	**€k**
current	
Cash and cash equivalents	28,824
Trade accounts receivable	44,379
Inventories	163
Prepaid expenses	8,862
Other financial assets	2,263
Other non-financial assets	59
non-current	
Trade accounts receivable	20,880
Other financial assets	125
Prepaid expenses	6,723
Intangible assets	253,916
Property, plant and equipment	581,969
	948,163
Liabilities	
current	
Trade accounts payable	67,476
Advance payments received	619
Provisions for tax	453
Deferred revenue	6,695
Other financial liabilities	37,012
Other non-financial liabilities	2,582
Other provisions	3,657
non-current	
Trade accounts payable	4,432
Deferred tax liabilities	38,186
Deferred revenue	23,906
Other financial liabilities	90,789
Other provisions	36,253
	312,058
Total identifiable net assets at fair value	**636,106**
Goodwill from company acquisition	509,654
Transferred consideration	**1,145,759**

The fair value of trade accounts receivable assumed on acquisition of the Versatel Group amounts to € 65.3 million. The corresponding gross amounts of trade accounts receivable amount to € 69.4 million. The purchase price allocation resulted in the recognition of contingent liabilities of € 1.9 million. The contingent liabilities mainly relate to litigation risks.

The transferred consideration and net cash outflow comprise the following:

Transferred consideration for the successive acquisition of Versatel	**in € million**
Carrying amount of existing shares in associated companies	56
Revaluation gain	119
Present value of existing shares	175
Cash purchase price	593
Assumption of bank liabilities	377
Transferred consideration	**1,146**

Cash flow from investing activities	
Cash purchase price	593
Assumption of bank liabilities	377
Assumed cash	-29
Net cash outflow	**942**

The intangible assets resulting from the preliminary price allocation consist of the following items:

	Fair value (in €k)	Useful life (in years)
Customer base	187,100	4-25
Brands	62,000	n/a
Software	3,345	3-5
Advance payments made	1,083	n/a
One-off charges	389	2-15
	253,916	

The contribution of the Versatel Group to earnings – from the initial consolidation date to the end of the reporting period – amounted to € -2,527k, while revenue generated reached € 130,892k. If the Versatel Group had already been consolidated on January 1, 2014, the Group’s sales revenue would have increased by € 399,203k in the reporting period of 2014 and consolidated net income would have decreased by € 26,579k.

4.2. Investments of fiscal year 2014

On January 28, 2014, United Internet acquired 25.1% of shares in ePages GmbH, Hamburg, a supplier of online shop software. The purchase price amounted to € 3.0 million. Moreover, 25% of shares in uberall GmbH, Berlin (formerly favor.it labs GmbH, Berlin) were acquired for a purchase price of € 3.2

million. These companies are included in the consolidated financial statements of United Internet AG as associates.

On August 15, 2014, United Internet invested a total of € 435 million in an 8.2% stake in Rocket Internet AG, Berlin. The investment consists of € 333 million in cash and € 102 million from the contribution of all investments in the portfolio companies of the Global Founders Capital and European Founders Funds. The contribution of shares in Global Founders Capital and European Founders Funds or their portfolio companies led to the disclosure of silent reserves of € 75.8 million. This non-cash income was disclosed under other operating income. The shares in Rocket Internet AG are disclosed as other financial assets.

4.3. Company transactions in the previous year

On August 22, 2013, United Internet acquired 100% of shares in Arsys Internet S.L., Logroño (Spain), a company involved in webhosting and cloud computing. Part of the purchase price of € 95,990k was settled in cash. In addition, the existing debt was replaced during the course of the acquisition. To this end, Arsys Internet S.L. was granted liquid funds of € 42,080k in the form of loans. The preliminary price allocation from this transaction resulted in goodwill of € 100,617k – which mainly reflects the synergy effects. There were no adjustments to the completed price allocation in fiscal year 2014.

On July 18, 2013, United Internet acquired 28.36% of shares in Open-Xchange AG, Nuremberg, Germany, an e-mail and collaboration specialist. The acquisition costs amounted to € 14,956k. The shares are disclosed as “Shares in associated companies”.

Explanations of items in the statement of comprehensive income

5. Sales revenue / segment reporting

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

Management and consolidated reporting is undertaken via the segments “Access” and “Applications”. A description of the products and services is provided in note 2.1 in the description of revenue recognition. The segment Head Office/Investments comprises mainly management holding functions.

The Management Board of United Internet AG mainly controls operations on the basis of key earnings figures. The Management Board of United Internet AG measures segment success primarily on the basis of sales revenues, earnings before interest, taxes, depreciation and amortization (EBITDA) and the result of ordinary operations (EBIT). Transactions between segments are charged at market prices. Information on sales revenues is allocated to the country in which the company is domiciled. Segment earnings are reconciled with the total amount for the United Internet Group.

Segment reporting of United Internet AG in fiscal year 2014 was as follows:

2014	Access segment	Applications segment	Head Office / Investments	Reconciliation	United Internet Group
	€k	€k	€k	€k	€k
Total revenues	2,183,667	934,216	8,725	---	---
- thereof internal revenues	48,564	4,867	8,215	---	---
External revenues	2,135,103	929,349	510	---	3,064,962
- thereof domestic	2,135,103	584,414	510	---	2,720,027
- thereof non-domestic	0	344,935	0	---	344,935
EBITDA	443,374	228,562	65,650	0	737,586
EBIT	380,362	170,889	65,449	0	616,700
Financial result			-21,816	-3,389	-25,205
Writedowns on financial assets			0	-705	-705
Result from at-equity companies			-3,422	-8,440	-11,862
EBT			40,211	538,717	578,928
Tax expense				-131,504	-131,504
Net income					447,424
Assets (non-current)	509,795	487,225	710,242	---	1,707,262
- thereof domestic	509,795	303,348	684,655	---	1,497,798
- thereof shares in associated companies	0	196	33,253	---	33,449
- thereof other financial assets	141	6,149	651,402	---	657,692
- thereof goodwill	509,654	297,003	0	---	806,657
- thereof non-domestic	0	183,877	25,587	---	209,464
- thereof shares in associated companies	0	1,483	0	---	1,483
- thereof other financial assets	0	12,008	25,587	---	37,595
- thereof goodwill	0	170,386	0	---	170,386
Investments in intangible assets, property, plant and equipment	27,259	60,582	500	---	88,341
Amortization/depreciation	63,012	57,673	201	---	120,886
- thereof intangible assets, property, plant and equipment	53,180	49,293	201	---	102,674
- thereof intangible assets capitalized during company acquisitions	9,832	8,380	0	---	18,212
- thereof goodwill	0	0	0	---	0
Number of employees	2,965	4,829	38	---	7,832
- thereof domestic	2,897	3,233	38	---	6,168
- thereof non-domestic	68	1,596	0	---	1,664

Non-current segment assets comprise shares in associated companies, other financial assets and goodwill.

In the periods under review, there was no significant concentration of individual customers in the customer profile. The United Internet Group does not generate more than 10% of total external sales revenues with one customer. Foreign sales accounted for 11.3% (prior year: 11.2%) of total Group revenues.

The highest management committee only monitors shares in associated companies, other non-current financial assets and goodwill. The depreciation disclosed in the segments refers to other, non-monitored intangible assets and property, plant and equipment.

The reconciliation figure with regard to earnings before taxes represents the corresponding EBT contribution of the Access and Applications segments.

Segment reporting of United Internet AG in fiscal year 2013 was as follows:

2013	Access segment	Applications segment	Head Office / Investments	Reconciliation	United Internet Group
	€k	€k	€k	€k	€k
Total revenues	1,804,453	876,563	8,404	---	---
- thereof internal revenues	16,171	9,604	7,940	---	---
External revenues	1,788,282	866,959	464	---	2,655,705
- thereof domestic	1,788,282	570,021	464	---	2,358,767
- thereof non-domestic	0	296,938	0	---	296,938
EBITDA	245,407	168,690	-7,173	0	406,924
EBIT	217,385	102,138	-7,334	0	312,189
Financial result			-11,294	66	-11,228
Result from at-equity companies			-4,756	153	-4,603
EBT			-23,384	319,742	296,358
Tax expense				-89,372	-89,372
Net income					206,986
Assets (non-current)	66,081	473,357	76,240	---	615,678
- thereof domestic	0	294,275	53,556	---	347,831
- thereof shares in associated companies	0	208	47,666	---	47,874
- thereof other financial assets	0	7,364	5,890	---	13,254
- thereof goodwill	0	286,703	0	---	286,703
- thereof non-domestic	66,081	179,082	22,684	---	267,847
- thereof shares in associated companies	66,081	1,356	0	---	67,437
- thereof other financial assets	0	11,617	22,684	---	34,301
- thereof goodwill	0	166,109	0	---	166,109
Investments in intangible assets, property, plant and equipment	5,180	54,257	490	---	59,927
Amortization/depreciation	28,022	66,552	162	---	94,736
- thereof intangible assets, property, plant and equipment	28,022	51,759	162	---	79,943
- thereof intangible assets capitalized during company acquisitions	0	14,493	0	---	14,493
- thereof goodwill	0	300	0	---	300
Number of employees	2,025	4,664	34	---	6,723
- thereof domestic	1,864	3,182	34	---	5,080
- thereof non-domestic	161	1,482	0	---	1,643

6. Cost of sales

	2014	**2013**
	€k	**€k**
Cost of services	1,402,671	1,253,576
Cost of goods	350,563	280,401
Personnel expenditure	126,933	102,875
Depreciation	74,178	48,653
Others	80,141	57,286
Total	**2,034,486**	**1,742,791**

Cost of sales in relation to sales revenue increased slightly to 66.4% compared with the previous year (65.6%). This resulted in a decreased gross margin of 33.6% (prior year: 34.4%).

7. Selling expenses

Selling expenses developed less than proportionately from € 481,434k (18.1% of sales) to € 481,292k (15.7% of sales).

8. General and administrative expenses

As in the previous year, general and administrative expenses rose in line with sales from € 120,407k (4.5% of sales) to € 136,904k (4.5% of sales).

9. Other operating income / expenses

9.1 Other operating expenses

	2014	**2013**
	€k	**€k**
Losses due to accounts receivable	22,350	27,010
Expenses from foreign currency translation	6,110	5,474
Transaction costs for business combinations	5,104	1,453
Losses from the disposal of investment	884	0
Losses from the disposal of property, plant and equipment	425	322
Other taxes	333	203
Donations	146	456
Others	4,601	2,999
Total	**39,954**	**37,917**

Expenses from foreign currency translation mainly comprise losses from exchange rate changes between the date of origination and time of payment of foreign currency receivables and payables as well as losses from valuation at the balance sheet date. Currency gains from these items are reported under other operating income. A net consideration of this item results in a net gain of € 1,555k (prior year: loss € 381k).

Losses due to accounts receivable include expenses for valuation allowances on trade accounts receivable and expenses arising from the derecognition of such receivables.

The losses from the disposal of investments result from the sale of all shares in fun communications GmbH.

Please refer to note 4.1 and 4.3 for information on transaction costs for business combinations.

9.2 Other operating income

	2014	2013
	€k	**€k**
Income from revaluation of existing Versatel shares as part of successive business acquisition of the Versatel Group	118,523	0
Income from contribution of Global Founders Capital and European Founders Fund to Rocket Internet AG	75,802	0
Income from dunning and return debit charges	30,538	25,680
Income from foreign currency translation	7,665	5,093
Others	11,847	8,560
Total	**244,374**	**39,333**

In the course of the successive business acquisition of the Versatel Group, the existing shares in the Versatel Group at the time of acquisition were restated at fair value. The difference between the previous carrying amount (using the equity method) and the fair value of the existing shares at the time of acquisition amounting to € 118,523k was recognized as non-cash income through profit or loss in the course of the transitional consolidation from the equity method to full consolidation.

Please refer to note 4.2 for information on income from the contribution of Global Founders Capital and European Founders Fund companies.

Income from foreign currency translation mainly comprise gains from exchange rate changes between the date of origination and time of payment of foreign currency receivables and payables as well as gains from valuation at the balance sheet date. Currency losses from these items are reported under other operating expenses.

10. Depreciation and amortization

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

	2014	2013
	€k	€k
Cost of sales	74,169	48,653
Selling expenses	33,883	38,032
General and administrative expenses	12,834	7,751
Total	**120,886**	**94,437**

Depreciation and amortization also includes the amortization of capitalized assets resulting from business combinations. These are divided between the capitalized assets as follows:

	2014	2013
Intangible assets	**€k**	**€k**
Portal	0	7.525
Customer base / order backlog	9.545	5.540
Software	395	556
Technology	1.811	481
	11.751	**14.102**
Tangible assets		
Network infrastructure	5.288	0
Operational equipment	1.173	391
Total	**18.212**	**14.493**

Amortization of capitalized assets resulting from business combinations is divided between the business combinations as follows:

	2014	2013
	€k	€k
Arsys	6,626	2,209
Versatel	9,832	0
Fasthosts	900	1,178
united-domains	778	2,828
Cleafs	0	420
RevenueDirect	39	117
WEB.DE portal business	37	7,741
Total	**18,212**	**14,493**

Amortization of capitalized assets resulting from business combinations is divided between the functional areas as follows:

	2014	2013
	€k	€k
Cost of sales	8,679	1,572
Selling expenses	9,527	12,826
General and administrative expenses	6	95
	18,212	**14,493**

11. Goodwill amortization of the previous year

As business in the Netherlands fell well short of the Company's expectations in 2013, a scheduled impairment test of goodwill on December 31, 2013. The goodwill of affilinet Netherlands belonging to the cash-generating unit "Affiliate Marketing" in the sub-group Sedo was found to be impaired by € 300k.

12. Personnel expenses

Personnel expenses are divided among the various divisions as follows:

	2014	2013
	€k	€k
Cost of sales	126,933	102,875
Selling expenses	163,031	147,564
General and administrative expenses	61,697	55,687
Total	351,661	306,126

The number of employees increased by 16.50%, from 6,723 in the previous year to 7,832 at the end of 2014.

	2014	2013
	€k	€k
Germany	6,168	5,080
Outside Germany	1,664	1,643
Total	7,832	6,723

The average number of employees in fiscal year 2014 amounted to 7,028 (prior year: 6,648), of which 5,395 (prior year: 5,134) were employed in Germany and 1,634 (prior year: 1,514) abroad.

With regard to company pension plans, the Group only has defined contribution plans. The Company pays contributions to the state pension fund as a result of statutory obligations. There are no other benefit obligations for the Company after payment of the contributions. The current contribution payments are disclosed as an expense in the respective year. In fiscal year 2014, they amounted to € 20,214k (prior year: € 17,524k) and mostly concerned contributions paid to the state pension fund in Germany.

As a result of contribution exemptions, an amount of € 0k (prior year: € 0k) of this total referred to contributions paid to related parties.

13. Financial expenses

	2014	2013
	€k	€k
Loans and overdraft facilities	13,449	5,603
Redemption of interest swap	6,723	0
Interest expense from tax audit	5,779	3,285
Interest expense from interest swaps	2,667	9,087
Financial expense from finance leases	579	93
Other	302	836
	29,499	**18,904**

Against the backdrop of a new syndicated loan concluded in August 2014 and the resulting elimination of the underlying transaction, the interest hedges were redeemed prematurely on November 21, 2014 via a payment in the amount of the negative market value of € 6,723k. The result previously disclosed in other comprehensive income without effect on profit or loss was subsequently recycled with effect on profit or loss.

Please refer to note 45 for an explanation of the financial expense from finance leases.

14. Financial income

	2014	2013
	€k	€k
Interest income from tax audit	1,506	797
Interest income from credit balances with banks	1,350	693
Income from loans to associated companies	742	438
Income from dividends	395	260
Interest income from finance leases	301	0
Income from interest hedging transactions	0	5,488
Total financial income	**4,294**	**7,676**

With regard to income from loans to associated companies, please refer to note 42.

15. Result from associated companies

	2014	2013
	€k	€k
Result from associated companies	-11,862	-4,603
	-11,862	**-4,603**

16. Income taxes

The income tax expense is comprised as follows:

	2014	2013
	€k	€k
Current income taxes		
- Germany	158,381	105,043
- Abroad	-11,202	5,753
Total (current period)	147,179	110,796
Deferred taxes		
- Due to tax loss carryforwards	-252	2,971
- Tax effect on temporary differences	-15,423	-24,395
Total deferred taxes	-15,675	-21,424
Total tax expense	**131,504**	**89,372**

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

German trade tax on income is levied on a company’s taxable income adjusted for certain revenues which are not subject to such tax and for certain expenses which are not deductible for purposes of trade tax on income. The effective trade tax rate depends on the municipality in which the company operates. The average trade tax rate in fiscal year 2014 amounted to approx. 14.2% (prior year: 14.2%).

As in the previous year, German corporate income tax was levied at 15% – irrespective of whether the result was retained or distributed. In addition, a solidarity surcharge of 5.5% is imposed on the assessed corporate income tax.

In addition to taxes on the current result, income taxes also include the following effects:

- Due to the results of the completed tax audit for the assessment periods 2006 to 2008 and their subsequent impact and assessments for the following years, there is a balance of tax income and tax expenses not relating to the period of € 219k (prior year: € 3,671k).

The tax income recognized directly in other comprehensive income in fiscal year 2014 amounted to € 5,759k at the end of the reporting period (prior year: € 853k).

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

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

	2014	**2013**
	€k	**€k**
Germany	24,647	0
France	1,033	1,251
USA	340	4,768
Poland	0	262
	26,020	**6,281**

The capitalized deferred taxes for loss carryforwards of German companies mainly comprise deferred tax assets of the Versatel Group recognized on the acquisition date.

Tax loss carryforwards for which no deferred tax assets have been formed, refer to the following countries (excluding Germany):

	2014	**2013**
	€k	**€k**
USA	15,226	0
Switzerland	3,468	3,026
Poland	1,429	0
UK	0	6,440
France	0	2,794
	20,123	**12,260**

The loss carryforwards in UK and France could be used for the first time in fiscal year 2014.

A breakdown of income tax types results in the following loss carryforwards for Germany for which no deferred taxes have been formed:

	2014		**2013**	
	Corporation tax in €k	**Trade tax in €k**	**Corporation tax in €k**	**Trade tax in €k**
Germany	85,632	31,022	3,554	0
	85,632	**31,022**	**3,554**	**0**

Loss carryforwards in Germany for which no deferred tax assets have been formed mainly refer to loss carryforwards of the Versatel Group.

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

- USA: indefinite
- Germany: indefinite, but minimum taxation
- UK: indefinite
- France: indefinite, but minimum taxation
- Poland: 5 years
- Switzerland indefinite

Deferred taxes resulted from the following items:

	2014		2013	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Trade receivables	1,330	2,337	934	0
Inventories	34	0	82	0
Other financial assets				
- current	578	67	777	0
Other financial assets				
- non-current	43,509	3,194	48	172
Other assets	80,763	1,182	61,175	738
Property, plant and equipment	4,821	70,959	2,957	4,615
Intangible assets	21,341	121,630	8,386	41,150
Other provisions	6,867	1,945	919	1470
Other liabilities	31,232	3,483	4,224	227
Prepaid expenses	3,788	2,168	3,147	140
Gross value	194,263	206,965	82,649	48,512
Tax loss carryforwards	26,020	0	6,281	0
Tax credit Spain	201	0	1127	0
Adjustments for consolidation	0	457	0	214
Other items	0	0	0	0
Offsetting	-133,846	-133,846	-23,299	-23,299
Consolidated balance sheet	**86,638**	**73,576**	**66,758**	**25,427**

The net balance of deferred tax assets decreased from € 41,331k in the previous year to € 13,062k. As a result, the total change in the net balance of deferred taxes amounted to € 28,269k (prior year: € 5,921k). This change was mainly due to the following factors:

- Increase in deferred tax assets for customer acquisition costs in the tax balance sheet of € 19,491k,

- Addition of deferred tax liabilities without effect on profit or loss from acquisition of the Versatel Group with a net total of € 38,185k.

The change in the net balance of deferred taxes compared to the previous year is reconciled as follows:

	2014	2013
Deferred tax income	15,675	21,424
Addition in connection with business combinations	-38,185	-14,650
Deferred tax expense recognized directly in equity	-5,759	-853
Change in the net balance of deferred taxes	**-28,269**	**5,921**

Deferred tax liabilities for intangible assets of € 121,630k (prior year: € 41,150k) result mainly from the different treatment of capitalized intangible assets from business combinations in the consolidated accounts and the tax balance sheet. The net liability balance of deferred taxes recognized directly in equity amounted to € 3,831k as of December 31, 2014 (prior year: € 1,928k asset balance).

As in the previous year, no deferred tax liabilities were recognized as of December 31, 2014 for differences in the balance sheet treatment of the investment in 1&1 Mail & Media GmbH in the IFRS and tax balance sheets, as it is probable that this difference will not reverse in the foreseeable future.

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

	2014	2013
	%	%
Anticipated tax rate	30.0	30.0
- Actual and deferred taxes for previous years	0.2	1.6
- Transaction costs in connection with business combinations which must be capitalized for tax purposes	0.2	0.0
- Amortization of intangible assets non-deductible for tax purposes	0.9	1.9
- Tax-reduced profit from disposals and income from investments	-8.3	-0.1
- Differences in foreign tax rates	-0.3	-0.3
- Employee stock ownership plan	-0.3	-3.7
- Tax losses of the fiscal year for which no deferred taxes have been capitalized	0.1	0.1
- First-time capitalization of tax losses not recognized in previous years	-0.6	-0.3
- Non-taxable at-equity results	0.6	0.6
- Allowances for deferred taxes capitalized in previous years	0.6	0.0
- Balance of other tax-free income and non-deductible expenses	-0.5	0.4
Effective tax rate	**22.7**	**30.3**

The reconciliation amount from tax-reduced profit from disposals and income from investments results mainly from income in connection with the contribution of investments in the portfolio companies of the special-purpose entities Global Founders Capital and European Founders Fund No. 2 and No. 3 and the contribution of the special-purpose entities themselves to Rocket Internet AG in return for shares and from the revaluation of existing shares in the Versatel Group in the course of the successive business acquisition and the related other operating income.

The non-tax-deductible amortization of intangible assets results from differences in assets recognized in equity on initial booking, for which no deferred taxes are formed pursuant to IAS 12.

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

17. Earnings per share

As of December 31, 2014, capital stock was divided up into 205,000,000 registered no-par shares (prior year: 194,000,000) each with a theoretical share in the capital stock of € 1. On December 31, 2014, United Internet held 1,232,338 treasury shares (prior year: 244,265). These treasury shares do not entitle the Company to any rights or proportional dividends and are thus deducted from equity. The weighted average number of shares outstanding used for calculating undiluted earnings per share was 196,418,404 for fiscal year 2014 (prior year: 193,688,043).

A dilutive effect must be taken into consideration for option rights resulting from the employee stock ownership program of United Internet AG which were contained in cash as of December 31, 2014. All option rights existing on December 31, 2014 were considered in the calculation of diluted earnings per share, using the treasury stock method, insofar as the option rights were in money and irrespective of whether the option rights were actually exercisable on the balance sheet date. The calculation of the dilutive effect from conversion is made by first determining the number of potential shares. On the basis of the average fair value of the shares, the number of shares is then calculated which could be acquired from the total amount of payments (par value of the rights plus additional payment). If the difference between the two values is zero, the total payment is exactly equivalent to the fair value of the potential shares and no dilutive effect need be considered. If the difference is positive, it is assumed that these shares will be issued in the amount of this difference without consideration.

The calculation of diluted earnings per share was based on 3,660,000 (prior year: 4,059,000) potential shares (from the assumed use of rights). Based on an average market price of € 32.81 (prior year: € 23.28), this would result in the issuance of 1,377,714 (prior year: 1,430,437) shares without consideration.

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

	2014 €k	2013 €k
Profit attributable to the shareholders of United Internet AG	**447,124**	**206,449**
Earnings per share (in €)		
- undiluted	2.28	1.07
- diluted	2.26	1.06
Weighted average number of outstanding shares (in million units)		
- undiluted	196.42	193.69
- diluted	197.80	195.12

18. Dividend per share

The Annual Shareholders' Meeting of United Internet AG on May 22, 2014 voted to accept the proposal of the Management Board and Supervisory Board to pay a dividend of € 0.40 per share. The total dividend payment of € 77.3 million was made on May 23, 2014.

According to section 21 of the by-laws of United Internet AG, the Annual Shareholders' Meeting decides on the appropriation of retained earnings. The Management Board and Supervisory Board will discuss their dividend proposal for fiscal year 2014 at the Supervisory Board meeting on March 25, 2015.

Pursuant to Sec. 71b AktG, the Company does not accrue any rights from treasury shares and thus has no pro-rated dividend rights. As at the date of signing the annual financial statements, the United Internet Group holds 1,232,338 treasury shares (prior year: 244,265).

19. Cash and cash equivalents

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

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

20. Trade accounts receivable

	2014	**2013**
	€k	€k
Trade accounts receivable	237.017	152.467
less		
Bad debt allowances	-20.369	-16.943
Trade accounts receivable, net	216.648	135.524
thereof trade accounts receivable - **current**	193.142	135.524
thereof trade accounts receivable **- non-current**	23.506	0

As of December 31, 2014 bad debt allowances for trade accounts receivable amounted to € 20,369k (prior year: € 16,943k). The development of bad debt allowances can be seen below:

	2014	**2013**
	€k	**€k**
As of January 1	16,943	19,107
Utilization	-14,816	-13,439
Additions charged to the income statement	19,720	15,309
Reversals	-2,098	-3,842
Exchange rate differences	620	-192
As of December 31	**20,369**	**16,943**

Additions charged to the income statement of each period under review do not comprise receivables arising during the year and eliminated before the balance sheet date.

As of the balance sheet date there is no recognizable indication that payment obligations for receivables not adjusted cannot be met.

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

Overdue receivables are tested for possible impairment. Individual allowances are mainly formed by classifying receivables according to their age profile. We refer to note 43.

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

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

	2014	**2013**
	€k	**€k**
Trade accounts receivable, net		
< 30 days	195,711	123,950
30-60 days	9,099	5,563
60-90 days	5,839	3,335
90-120 days	3,438	1,529
>120 days	2,561	1,147
	216,648	**135,524**

21. Inventories

Inventories consisted of the following items:

	2014	**2013**
	€k	**€k**
Merchandise		
Mobile telephony / mobile internet	38,527	37,299
DSL hardware	5,168	7,672
SIM cards	611	303
Other	2,184	375
Domain stock held for sale		
Domain stock	1,140	1,671
	49,630	**47,320**
less		
Allowances	-5,000	-2,932
Inventories, net	**42,630**	**44,388**

Goods recognized as material expense from inventories in cost of sales amounted to € 350,563k in the reporting period (prior year: € 280,401k). € 2,068k of this amount refers to impairment of inventories (prior year: € 1,430k).

Allowances include € 4,225k for mobile telephony/Mobile Internet (prior year: € 2,088k), € 398k for domains (prior year: € 464k), € 22k for DSL hardware (prior year: € 25k), and € 355k for other inventories (prior year: € 355k).

22. Current prepaid expenses

Prepaid expenses of € 66,627k (prior year: € 53,264k) consist mainly of prepayments for domain fees and pre-service fees which were deferred and charged to the income statement on the basis of the underlying contractual period.

23. Other current assets

23.1 Other current financial assets

	2014	**2013**
	€k	**€k**
Creditors with debit balances	2,306	655
Receivables from subsidies for advertising expenses	2,124	68
Payments on account	832	2,154
Deposits	521	431
Purchase price receivable for Maxdome	0	10,181
Other	7,661	5,175
Other financial assets, net	**13,444**	**18,664**

The outstanding purchase price receivable in the previous year results from the sale of shares in maxdome GmbH & Co. KG. These were reclassified in fiscal year 2013 from other non-current to other current financial assets and settled in fiscal year 2014.

23.2 Other current non-financial assets

	2014	**2013**
	€k	**€k**
Receivables from tax office	377,474	4,734
Other non-financial assets, net	**377,474**	**4,734**

There is a receivable from the tax office of € 336 million from the payment in December 2014 of allowable capital gains tax with the solidarity surcharge.

24. Shares in associated companies

	2014 €k	2013 €k
Carrying amount at the beginning of the fiscal year	115,311	97,774
Additions	22,684	23,113
Adjustments		
- Dividends	-331	-310
- Impairments	0	-75
- Shares in result	-11,862	-4,529
- Other	208	2,752
Disposals	-91,078	-3,414
	34,932	**115,311**

As a result of the changes brought about by IFRS 10, shares held in the special-purpose vehicles European Founders Fund No. 2 and No. 3, which were previously fully consolidated, are regarded as associates in line with the retrospective application of IFRS 10 and accounted for in the consolidated financial statements using the equity method.

The additions refer to investments made by Global Founders Capital No. 1 and investments in the companies ePages GmbH and uberall GmbH.

Other adjustments totaling € 208k resulted mainly from profit contributions to associated companies with an investment value of € 0k. The negative profit contributions of associated companies with an investment value of € 0k were only considered if the associated companies were provided with long-term loans or if there were credit / liability commitments.

The disposals reflect the contribution of investments in the portfolio companies of the special-purpose vehicles Global Founders Capital and European Founders Fund No. 2 and No. 3 and the contribution of the special-purpose vehicles themselves to Rocket Internet AG in exchange for shares. The shares in Rocket Internet AG are carried as other financial assets as of the balance sheet date. The disposals also include the existing shares in the Versatel Group as part of the successive business acquisition (see note 4.1).

The following table contains summarized financial information on the associated companies held as of the balance sheet date on the basis of a 100% shareholding:

	2014	2013
	€k	€k
Current assets	46.633	152.556
Non-current assets	59.280	993.067
Current liabilities	19.146	172.240
Non-current liabilities	11.848	538.079
Shareholders' equity	74.919	435.304
Sales revenue	63.915	594.709
Net profits	-14.279	-14.162

The summarized financial information is based in part on local accounting standards as a reconciliation of this financial information to IFRS would incur disproportionately high costs.

25. Other non-current financial assets

The development of these shares was as follows:

			Amortization of revaluation reserve not recognized in income					
	Jan. 1, 2014	Additions	Recycling	Additions	Impairment	Reclassification	Disposals	Dec. 31, 2014
	€k	€k	€k	€k	€k	€k	€k	€k
Goldbach shares	13,530			509			-590	13,449
Hi-media shares	8,854			2,984				11,838
Afilias shares	8,720							8,720
Rocket Internet shares	0	435,473		207,870				643,343
Other	16,451	3,430			-705	-348	-891	17,937
	47,555	**438,903**	**0**	**211,363**	**-705**	**-348**	**-1,481**	**695,287**

			Amortization of revaluation reserve not recognized in income					
	Jan. 1, 2013	Additions	Recycling	Additions	Impairment	Reclassification	Disposals	Dec. 31, 2013
	€k	€k	€k	€k	€k	€k	€k	€k
Goldbach shares	13,770			345			-585	13,530
Hi-media shares	9,754			-900				8,854
Afilias shares	8,720							8,720
Purchase price receivable	9,816	365				-10,181		0
Other	17,390	2,950				-3,025	-864	16,451
	59,450	**3,315**	**0**	**-555**	**0**	**-13,206**	**-1,449**	**47,555**

Additions to other financial assets refer mainly to the purchase of shares in Rocket Internet AG, as described in note 4.2, as well as to loans for which the market value coincides with the carrying value.

26. Property, plant and equipment

	2014	2013
	€k	€k
Acquisition costs		
– Land and buildings	16,264	13,992
– Telecommunication equipment	398,230	0
– Network infrastructure	181,729	0
– Operational and office equipment	418,101	371,223
– Payments on account	16,893	5,056
	1,031,217	**390,271**
Less		
Accumulated depreciation	-341,915	-274,096
Property, plant and equipment, net	**689,302**	**116,175**

An alternative presentation of the development of property, plant and equipment in the fiscal years 2014 and 2013 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

The carrying value of operational and office equipment held as part of finance leases amounts to € 116,415k as of December 31, 2014 (prior year: € 2,809k).

Due to the initial consolidation of the Versatel Group, there are purchase obligations for non-current assets totaling € 24.2 million (prior year: € 0 million).

27. Intangible assets (without goodwill)

	2014	2013
	€k	**€k**
Acquisition costs		
- Customer base	411,170	222,682
- Trademarks	118,770	53,810
- Software / Technologie	114,568	104,531
- Licenses	29,593	29,985
- One-off charges	445	0
	674,546	**411,008**
Less		
Accumulated amortization and impairment	-289,072	-245,930
Intangible assets, net	**385,474**	**165,078**

An alternative presentation of the development of intangible assets in the fiscal years 2014 and 2013 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

With regard to the increase in the recognized customer base amount in fiscal 2014, an amount of € 187,100k resulted mainly from the acquisition of the Versatel Group. We refer to note 4.1.

Moreover, customer relations of € 130,158k refer mainly to broadband customers of freenet AG acquired in fiscal years 2009 and 2010. These externally acquired customer relations will be amortized in scheduled amounts over a period of 6 years. Amortization amounted to € 21,694k in fiscal year 2014 (prior year: € 21,694k), and the carrying amount was € 19,882k (prior year: € 41,576k).

The carrying values of intangible assets with indefinite useful lives (trademarks) totaled € 117,837k (prior year: € 52,928k). In fiscal year 2014, the acquisition of the Versatel Group resulted in the recognition of trademarks amounting to € 62,000k. Intangible assets with indefinite useful lives were subjected to an impairment test on the level of the cash-generating units as of the balance sheet date. There was therefore no impairment in the reporting period (prior year: € 0k).

The following table provides an overview of trademarks:

	2014	2013
	€k	€k
Versatel	62,000	0
Mail.com	22,490	19,858
WEB.DE	17,173	17,173
Arsys	7,553	7,553
Fasthosts	4,423	4,146
united-domains	4,198	4,198
	117,837	**52,928**

28. Goodwill

An alternative presentation of the development of goodwill in the fiscal years 2014 and 2013 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

In fiscal year 2014, the acquisition of the Versatel Group resulted in the recognition of goodwill amounting to € 509,654k which is allocated to the Access segment. Please refer to note 4.1.

29. Impairment of goodwill and intangible assets with indefinite useful lives

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

Goodwill acquired in the course of business combinations is allocated for impairment test purposes to cash-generating units.

The impairment charge was disclosed separately in the income statement and the consolidated assets movement schedule.

Goodwill as of December 31 is allocated to the cash-generating units as follows:

	2014	2013
	€k	€k
Access segment		
Versatel *	509,654	0
	509,654	**0**
Applications segment		
1&1 Mail & Media	228,501	228,501
Arsys	100,495	100,617
UK (Fasthosts / Dollamore)	69,579	65,219
united-domains	35,924	25,621
InterNetX	5,032	5,032
Mail.com	309	273
Non-controlling interests	0	24,649
Affiliate Marketing	22,451	2,900
Domain Marketing	5,098	0
	467,389	**452,812**
	977,043	**452,812**

* Due to the short period between the acquisition and the preparation of these consolidated financial statements, the purchase price allocation is still preliminary. The allocation of goodwill to cash-generating units has also not been completed yet.

In fiscal year 2014, the cash-generating unit “Non-controlling interests” was divided into the cash-generating units “Affiliate Marketing” and “Domain Marketing” in the course of the Group’s restructuring.

Scheduled impairment test on December 31, 2014

The recoverable amounts of the cash-generating units are calculated both on the basis of a value-in-use calculation and on the basis of a calculation of fair value less disposal costs using cash flow forecasts. The cash flow forecasts are based on the Company’s budgets for fiscal 2015. These budgets were prepared by management on the basis of external market studies and internal assumptions, extrapolated for a period of five years. Following this period – and as in the previous year – management assumes an annual increase in cash flow of 0.5% to 2% (prior year: 1% - 2%), corresponding to long-term average growth of the sector in which the respective cash-generating unit operates. The discount rates before tax (value-in-use) applied in the period under review range from 8% to 12% (prior year: 8% - 13%), while the discount rates after tax (fair value less disposal costs) range between 6% and 10%.

The most important parameters per cash-generating unit are shown in the table below:

	Parameter			**2015**	**2016**	**2017**	**2018**	**> 2019**
	Previous year	**Proportion of total goodwill**	***2014***	***2015***	***2016***	***2017***	***> 2018***	
Valuation on basis of fair value less disposal costs								
Versatel*	Sales growth	52%		*0%*	*0%*	*4%*	*5%*	*6%*
	Previous year		*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	
	Discount rates			*6%*	*6%*	*6%*	*6%*	*6%*
	Previous year		*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	
Arsys**	Sales growth	10%		3%	11%	11%	6%	*3%*
	Previous year		*2%*	*6%*	*11%*	*11%*	*3%*	
	Discount rates			10%	10%	10%	10%	*9%*
	Previous year		*14%*	*14%*	*14%*	*14%*	*12%*	
Valuation on basis of value-in-use								
1&1 Mail & Media	Sales growth	23%		15%	6%	5%	5%	*2%*
	Previous year		*1%*	*2%*	*2%*	*2%*	*2%*	
	Discount rates			9%	9%	9%	9%	*7%*
	Previous year		*10%*	*10%*	*10%*	*10%*	*9%*	
CGU UK (Fasthosts/ Dollamore)	Sales growth	7%		1%	2%	2%	2%	*2%*
	Previous year		*3%*	*2%*	*2%*	*1%*	*2%*	
	Discount rates			8%	8%	8%	8%	*6%*
	Previous year		*9%*	*9%*	*9%*	*9%*	*8%*	
united-domains	Sales growth	4%		9%	9%	9%	9%	*1%*
	Previous year		*20%*	*15%*	*15%*	*15%*	*1%*	
	Discount rates			9%	9%	9%	9%	*8%*
	Previous year		*10%*	*10%*	*10%*	*10%*	*9%*	
InterNetX	Sales growth	1%		2%	2%	2%	2%	*1%*
	Previous year		*9%*	*15%*	*15%*	*15%*	*2%*	
	Discount rates			9%	9%	9%	9%	*8%*
	Previous year		*10%*	*10%*	*10%*	*10%*	*8%*	
Affiliate-Marketing	Sales growth	2%		14%	9%	11%	10%	*1%*
	Previous year		*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	
	Discount rates			12%	12%	12%	12%	*11%*
	Previous year		*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	
Domain-Marketing	Sales growth	1%		-1%	-1%	-3%	-3%	*0%*
	Previous year		*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	
	Discount rates			12%	12%	12%	12%	*13%*
	Previous year		*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	

* planned sales growth 2019: 6%, > 2020: -1%
** planned sales growth after 2019: 1%

In the Applications segment, trademarks recognized amount to € 55,837k (prior year: € 52,928k) and in the Access segment to € 62,000k (prior year: 0k; see note 27). In the course of business combinations, the trademarks were valued at their fair values using appropriate valuation methods (generally the so-called “royalty relief” method; in the cash-generating unit Mail.com using the residual value method) and tested again for impairment on the balance sheet date. The market-relevant cash flows were multiplied with the trademark-relevant royalty rates.

These range from 0.75% to 2.5% (prior year: 1.5% - 2.5%). The forecast of trademark-relevant cash flows was based on the same assumptions regarding market development and discount rates as used for the calculation of value-in-use of the cash-generating units. As in the previous year, the test resulted in no impairment.

Basic assumptions for the impairment tests

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

- Sales revenue

  The management of the respective cash-generating unit expects a varied development of sales within its planning horizon. For cash-generating units, a change of between -3% and 15% is expected for the fiscal years 2015 to 2018 (prior year: between -5% and 20%). The forecasts are based on past experience as well as market studies in the relevant market segments.

- Growth rates

  Growth rates are based on published sector-specific market forecasts. In the case that such forecasts are not available, internal assumptions are made.

- Gross margin

  The planned gross margins are based on market assumptions made by the management of the respective cash-generating unit. Management make assumptions of the developments of gross margins based on market analyses.

- Discount rates

  Discount rates reflect management assumptions regarding the specific risks attributable to the respective cash-generating units. The choice of suitable discount rates is mainly based on a virtually risk-free interest rate calculated using empirical data for peer companies, which is increased by a specific risk premium.

Sensitivity of assumptions

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

The Company’s management believes that, on the basis of reasonable judgment, no generally possible change in one of the basic assumptions used to determine the value-in-use of a cash-generating unit, or its fair value less disposal costs, could cause the carrying value to significantly exceed the recoverable amount.

The effects of changes to the basic assumptions is explained below:

- Discount rates

  A change in the virtually risk-free interest rate or specific risk premium also changes the underlying discount rates of the impairment test. A change in the discount rates used of 2 percentage points (prior year: 1 percentage point) would have no effect on the impairment test. Management rates the current risk from interest variations as low.

- Growth rates

  Management recognizes that growth in the Applications segment, and thus the growth of those cash-generating units operating in this segment, depends heavily on the development of internet usage and thus its acceptance as a medium used in private and business life. The entry of new competitors and the projected market consolidation are not expected to have any negative effect on forecasts used in the budgets. A possible change on the basis of reasonable judgment, however, may lead to growth rates which differ from those used in the budgets of the respective cash-generating unit. A decline in growth rates, within the possible parameters of reasonable judgment, would not result in a reduction of value-in-use to below carrying value.

- Cash-generating unit “Arsys”

  The recoverable amount of the cash-generating unit “Arsys” was calculated on the basis of fair value less disposal costs using cash flow forecasts and present value models. Please refer to the details above regarding the underlying assumptions. According to IFRS 13, the hierarchy of fair value less disposal costs is classified as Level 2. A variation in the discount rate of +0.6% and in the growth rate of -0.5% would cause the recoverable amount to equal the carrying amount of the cash-generating unit. A variation in the discount rate of +0.6% and in the planned EBITDA margin in perpetuity of -2.0% would cause the recoverable amount to equal the carrying amount of the cash-generating unit.

- Cash-generating unit “Versatel”

  The Versatel Group was acquired in the fourth quarter of 2014 and thus shortly before the balance sheet date. As the purchase price allocation is still preliminary and the allocation of goodwill to cash-generating units has not been completed yet, the annual impairment test was conducted on the level of the sub-group Versatel. Management has no qualitative indications for a possible impairment. This view was confirmed by the impairment test conducted.

30. Non-current prepaid expenses

Non-current prepaid expenses result mainly from advance payments in connection with long-term purchasing agreements and amount to € 37,097k as of December 31, 2014 (prior year: € 7,256k).

31. Trade accounts payable

Trade accounts payable amount to € 360,334k (prior year: € 260,216k), of which liabilities with terms of more than one year total € 4,193k (prior year: none).

32. Liabilities due to banks

a) Liabilities due to banks

	2014	2013
	€k	€k
Bank loans	1,374,002	340,042
Less		
Current portion of liabilities due to banks	-30,061	-23,038
Non-current portion of liabilities due to banks	**1,343,941**	**317,004**
Short-term loans/overdrafts	30,061	23,038
Current portion of liabilities due to banks	**30,061**	**23,038**
Total	**1,374,002**	**340,042**

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

There are variable interest rates for using the syndicated loan. The effective interest rates for the interest periods of three and six months are tied to the EURIBOR rate plus a margin p.a.. This margin depends on key performance indicators of the United Internet Group. Redemption payments are possible at any time.

The interest rates for the promissory note loan are partly variable, tied to the 6-month EURIBOR rate plus a margin p.a., and partly fixed. The fixed interest rates including margin vary between 1.32% and 2.15% depending on the term.

In addition, there is a revolving syndicated loan facility of € 600 million with a term until August 19, 2019 which had been utilized as of December 31, 2014 in an amount of € 30 million.

There are variable interest rates for usage. The effective interest rates for the interest periods of one, three or six months are tied to the EURIBOR rate plus a margin p.a.. This margin depends on key performance indicators of the United

Internet Group. As of the balance sheet date, the interest rate including margin amounts to 0.726% (prior year: 0.92% and 0.98%).

As of December 31, there are also current account overdrafts.

No collateral was provided for any of the loans.

The fair values of these loans mainly correspond to their carrying values. As the contract for the fixed-interest loans (three tranches of the promissory note loan) was signed shortly before the balance sheet date, there is no indication that the fair values differ significantly from the carrying amounts.

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

b) Credit lines

In addition, United Internet AG has the following credit lines for advances on current accounts and other short-term loans and credit lines with three banks:

	2014	**2013**
	€ million	**€ million**
Credit line	118	110
Credit line utilization	0	23
Available credit line	118	87
Utilization of guarantees	19	16
Average interest rate (in%)	0.81-1.16	0.83-0.90
Unutilized credit facilities	99	71

Credit facilities have been granted by the banks for limited periods. € 20.0 million expire in November 2018, € 98 million are available until further notice.

A further amount of € 570 million is also available until August 19, 2019 from the unutilized portion of the revolving syndicated loan.

With regard to credit lines granted to the companies of the United Internet Group by one bank, United Internet AG is liable as co-debtor as in the previous year. The stated average interest rate as of the reporting date is based on the utilization of the credit line.

33. Accrued taxes

Accrued taxes consist of the following items:

	2014	2013
	€k	€k
Germany	136,823	20,001
UK	2,021	2,052
USA	165	192
France	176	0
Spain	61	0
Total	**139,246**	**22,245**

34. Deferred revenue

Customers pay for certain contracts in advance. These contracts are mostly for webhosting and internet access services, as well as one-off provision charges of the Versatel Group. The prepaid charges are allocated and recognized as revenues over the underlying contractual period.

35. Other accrued liabilities

The development of accruals in fiscal year 2014 was as follows:

	Restoration obligations	Litigation risks	Others	Total
	€k	€k	€k	€k
January 1, 2014	0	1,912	2,760	4,672
Change in consolidated group	32,251	4,180	3,479	39,910
Utilization	21	1,331	2,182	3,534
Reversal	2	133	270	405
Addition of accrued interest	291	0	0	291
Addition	939	2,981	3,601	7,521
December 31, 2014	**33,458**	**7,609**	**7,388**	**48,455**

The accruals for restoration obligations mainly refer to possible obligations to remove active telecommunication technology in leased main distribution frames (MDFs).

Litigation risks consist of various legal disputes of Group companies.

Other accruals refer mainly to provisions for warranties and impending losses.

Accruals of € 12,657k (prior year: € 0k) have a term of two to five years and € 23,237k (prior year: € 0k) a term of over five years. Long-term accruals mainly refer to restoration obligations.

36. *Other liabilities*

36.1 Other current financial liabilities

	2014	2013
	€k	€k
Other current financial liabilities		
- Salary liabilities	30,622	19,936
- Marketing and selling expenses / commissions	22,537	18,640
- Finance lease commitments	16,671	1,390
- Service / maintenance / restoration obligations	6,172	2,409
- Purchase price liabilities	5,100	1176
- Legal and consulting fees, auditing fees	3517	1,814
- Creditors with debit balances	3,398	0
- Marketing campaigns	1,140	880
- Public relations	226	335
- Liability from interest hedging	0	3,400
- Others	5,434	3,237
Total	**94,817**	**53,217**

The liability from interest hedging in the previous year concerns negative market values as of the balance sheet date.

36.2 Other current non-financial liabilities

	2014	2013
Other current non-financial liabilities	€k	€k
- Liabilities to the tax office	27,128	43,876
- Liabilities from tax audit	5,195	911
- Others	55	81
Total	**32,378**	**44,868**

Liabilities to the tax office mainly refer to sales tax liabilities. Please refer to note 16 with regard to the liability from tax audits.

36.3 Other non-current financial liabilities

	2014	2013
	€k	€k
Other non-current financial liabilities		
- Finance lease commitments	89,442	1,086
- Purchase price liability InterNetX	3,416	0
- Purchase price liability udAG	0	10,674
- Liability from interest hedging	0	4,282
- Others	6,382	296
Total	**99,241**	**16,338**

Please refer to note 45 regarding finance lease commitments.

On June 10, 2014, 1&1 Internet AG signed an option agreement with the other shareholders of InterNetX GmbH concerning the remaining 4.44% of shares in InterNetX. In the agreement, the two joint owners were granted a put option by 1&1 Internet AG for their remaining shares, which cannot be exercised until 2017. The purchase price depends mainly on the development of the company's earnings. The put option was carried without effect on profit or loss in the reporting period. Adjustments to the fair value of the obligation from this put option, as well as effects from discounting, will subsequently be carried in profit or loss as a purchase price adjustment.

In a contract dated December 12, 2008, United Internet Ventures AG acquired the shares in united-domains AG. united-domains AG continues to be run by its founders who acquired a total shareholding of 15% in united-domains AG after the acquisition. In the course of this share acquisition, the founders were granted a put option for their shares, which could not be exercised until 2014 and was exercised in December 2014. The purchase price amounted to € 20.1 million. The put option was carried as a contingent consideration, i.e. adjustments to the fair value of the commitment from this put option were carried without effect on profit or loss as a purchase price adjustment and thus influenced the amount of goodwill. As of December 31, 2014, United Internet thus holds 100% of shares in united-domains AG.

37. Share-based payment

Employee stock ownership plans

The current employee stock ownership plan of the United Internet Group allows executives and managers to participate in the company's long-term success on the basis of virtual stock options. All plans are treated as equity-settled shared-based payment transactions.

The employee stock ownership plans 2006 to 2010 and 2010 to 2015 employ virtual stock options (so-called Stock Appreciation Rights - SARs). SARs refer to the commitment of United Internet AG (or a subsidiary) to pay the beneficiary a cash amount equivalent to the difference between the share price on the date of granting the option (strike price) and the share price on exercising the option. The exercise hurdle is 120% of the share price, which is calculated as the average closing price in electronic trading (Xetra) of the Frankfurt Stock Exchange over the ten days preceding issuance of the option. Payment of value growth to the entitled person is limited to 100% of the calculated share price.

An SAR corresponds to a virtual subscription right for one share of United Internet AG. However, it is not a share right and thus not a (genuine) option to acquire shares of United Internet AG. United Internet AG retains the right, however, to fulfill its commitment (or the commitment of a subsidiary) to pay the SAR in cash by also transferring 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.

Using an option pricing model on the basis of a binominal model in accordance with IFRS 2, the fair value of options issued was calculated as follows:

Valuation parameters

Issue date	12.07.2010	14.01.2011	30.03.2011	01.06.2011
Fair value	758 €k	224 €k	1,403 €k	1,203 €k
Average market value per option	1.90 €	2.80 €	2.81 €	3.01 €
Dividend yield	2.2 %	1.6 %	2.7 %	2.3 %
Volatility of the share	56 %	47 %	43 %	37 %
Expected term (years)	5	5	5	5
Risk-free interest rate	1.5 %	1.9 %	2.6 %	2.3 %

Issue date	02.07.2012	01.10.2012	18.12.2012	02.01.2013
Fair value	158 €k	992 €k	788 €k	2,060 €k
Average market value per option	2.64 €	3.31 €	2.63 €	2.06 €
Dividend yield	2.2 %	1.9 %	1.8 %	1.8 %
Volatility of the share	32 %	27 %	24 %	23 %
Expected term (years)	5	5	5	5
Risk-free interest rate	0.6 %	0.4 %	0.5 %	0.5 %

Issue date	26.03.2013	04.06.2013	02.01.2014	17.03.2014
Fair value	898 €k	995 €k	264 €k	788 €k
Average market value per option	2.25 €	3.32 €	4.40 €	3.94 €
Dividend yield	1.6 %	1.3 %	1.3 %	1.3 %
Volatility of the share	22 %	27 %	24 %	24 %
Expected term (years)	5	5	5	5
Risk-free interest rate	0.4 %	0.6 %	1.0 %	0.6 %

Issue date	12.05.2014	03.11.2014
Fair value	3,043 €k	474 €k
Average market value per option	4.75 €	4.74 €
Dividend yield	1.3 %	1.3 %
Volatility of the share	27 %	29 %
Expected term (years)	5	5
Risk-free interest rate	0.6 %	0.2 %

The total expense from the stock ownership plan amounts to € 30,060k (prior year: € 25,491k). The cumulative expense as of December 31, 2014 totaled € 23,818k (prior year: € 20,596k). Expenses of € 6,242k (prior year: € 4,895k) therefore relate to future years. Using an option pricing model in accordance with IFRS 2 and assuming an even exercise pattern of 25% after the first 24 months, the personnel expense for options issued amounted to € 3,222k in the reporting period (prior year: € 2,434k).

Moreover, in fiscal year 2012 an individual commitment for the transfer of 100,000 shares of United Internet AG was granted. The total value o the commitment amounted to € 1,593 thousand on the grant date. Although the shares are not linked to vesting conditions, they will not be transferred until the blocking period ends on December 31, 2015.

The changes in the virtual stock options granted and outstanding are shown in the following table:

	United Internet AG	
		Average strike price
Outstanding as of December 31, 2012	6,268,375	10.84
Issued	1,000,000	16.06
Issued	400,000	18.13
Issued	300,000	21.95
Expired / forfeited	-400,000	13.74
Expired / forfeited	-400,000	15.77
Expired / forfeited	-54,625	6.07
Expired / forfeited	-100,000	8.96
Expired / forfeited	-10,000	13.65
Expired / forfeited	-200,000	13.89
Expired / forfeited	-29,000	5.52
Expired / forfeited	-200,000	9.73
Expired / forfeited	-30,000	11.73
Expired / forfeited	-10,000	11.33
Expired / forfeited	-150,000	13.96
Exercised	-850,000	12.85
Exercised	-288,000	6.07
Exercised	-537,750	5.52
Exercised	-5,000	11.33
Exercised	-20,000	12.12
Exercised	-125,000	12.03
Exercised	-300,000	8.96
Exercised	-100,000	9.73
Exercised	-100,000	13.43
Outstanding as of December 31, 2013	4,059,000	13.88
Issued	200,000	32.79
Issued	60,000	30.11
Issued	640,000	31.15
Issued	100,000	31.02
Expired / forfeited	-27,250	5.52
Expired / forfeited	-4,000	6.07
Exercised	-532,750	5.52
Exercised	-20,000	12.12
Exercised	-125,000	12.03
Exercised	-100,000	13.43
Exercised	-300,000	8.96
Exercised	-15,000	13.30
Exercised	-75,000	16.24
Outstanding as of December 31, 2014	3,860,000	20.07
Exercisable as of December 31, 2014	0	0
Exercisable as of December 31, 2013	24,750	5.61
Weighted average remaining term as of December 31, 2014 (in months)	38	
Weighted average remaining term as of December 31, 2013 (in months)	35	

38. Capital stock

As of the balance sheet date, the fully paid-in capital stock amounted to € 205,000,000 (prior year: € 194,000,000) divided into 205,000,000 (prior year: 194,000,000) registered no-par shares having a theoretical share in the capital stock of € 1 each.

On September 15, 2014, the Management Board of United Internet AG, with the approval of the Supervisory Board, resolved on a capital increase against cash contributions through partial use of Authorized Capital. With the exclusion of subscription rights for existing shareholders, the Company’s capital stock was increased to € 205,000,000 by the issue of 11,000,000 new registered no-par value shares against cash contributions. The increase corresponds to approx. 5.7% of previous capital stock.

The Management Board resolved on June 13, 2014 to launch a new share buyback program. In the course of this new share buyback program, up to 2,000,000 company shares can be bought back via the stock exchange. The buyback program is based on an authorization of the Annual Shareholders’ Meeting of May 22, 2014, to purchase treasury shares representing up to 10% of capital stock. The authorization was issued for the period up to September 22, 2017. The Annual Shareholders’ Meeting of May 22, 2014 revoked the previous authorization granted on May 23, 2013 to buy and sell treasury shares on expiry of May 22, 2014 with effect in future.

In the course of this share buyback program, a total of 1,295,735 shares were bought back via the stock exchange.

Following these buybacks and issues of 307,662 shares for employee stock ownership plans (prior year: 794,251), the Group held 1,232,338 treasury shares as of December 31, 2014 (prior year: 244,265) corresponding to 0.60% of capital stock (prior year: 0.13%).

Treasury shares reduce equity and have no dividend entitlement.

Authorized 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.

Pursuant to Sec. 71 (1) No. 8 AktG, the Company is entitled to acquire treasury shares until November 22, 2017 up to a limit of ten percent of capital stock. The purchase price may not be lower than ten percent below the share's market price, nor higher than ten percent above its market price. Treasury shares can be used for all purposes stated in the authorization of the Annual Shareholders' Meeting of May 22, 2014.

Conditional capital

There are the following lots of conditional capital:

- The capital stock has been conditionally increased by up to € 30,000,000.00, divided into 30,000,000 no-par registered shares (Conditional Capital 2014). The conditional capital increase is earmarked for shares to be granted to bearers or holders of warrant or convertible bonds, which the shareholders’ meeting on May 22, 2014 authorized the company or a subordinated Group company to issue in the period up to May 21, 2019, providing the issue is in return for cash and no cash settlement is granted 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 no cash settlement is granted 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.

39. Reserves

As of December 31, 2014, capital reserves amounted to € 369,353k (prior year: € 27,702k). € 338,429k of this increase results from the capital increase and € 3,222k from additions in connection with employee stock ownership plans.

The accumulated result includes the past results of consolidated companies insofar as no dividends were paid. Other transactions with shareholders in the statement of changes in shareholders' equity amounting to € 3,416k considers the purchase price liability for InterNetX described in note 36.3 which reduces equity.

At the end of the reporting period, the revaluation reserve consisted of the following items:

	2014 €k	2013 €k
- Rocket Internet AG	204,753	0
- Anteile Afilias	8,175	8,175
- Anteile Goldbach	2,465	1,964
- Anteile HiMedia	1,352	-1,586
- EFF Nr. 3	0	521
Total	216,745	9,074

Profit and loss from subsequent valuation to fair value are recognized directly in other comprehensive income net – i.e. less deferred taxes – and after non-controlling interests.

As of December 31, 2013, changes in the fair value of interest swaps concluded as part of cash flow hedges, as well as the opposing deferred taxes on these fair value changes, were recognized in the cash flow hedging reserve. The hedges were prematurely reversed in fiscal year 2014.

Translation differences from the annual financial statements of foreign subsidiaries without an effect on profit or loss are recognized in the currency translation adjustment.

An overview of the composition and changes in the reserves described above for the fiscal years 2014 and 2013 is provided in the statement of changes in shareholders' equity.

40. Non-controlling interests

The change in non-controlling interests results mainly from the 1,204,259 shares acquired in Sedo Holding GmbH (formerly Sedo Holding AG) via a squeeze-out process pursuant to Secs. 327a ff. AktG. The purchase price per share amounted to € 2.77. As of December 31, 2014, United Internet thus holds 100% of shares in Sedo Holding GmbH.

Non-controlling interests as of December 31, 2014 mainly comprise the shares of the minority shareholders of InterNetX GmbH, Regensburg, (4.44% of capital stock).

41. Additional details on financial instruments

The following table shows the carrying values for each category of financial assets and liabilities for fiscal year 2014:

			Valuation acc. to IAS 39				
€k	Valuation category acc. to IAS 39	Carrying value on Dec. 31, 2014	Amortized cost	Fair value not through profit or loss	Fair value through profit or loss	Measurement acc. to IAS 17	Fair value on Dec. 31, 2014
Financial assets							
Cash and cash equivalents	lar	50,829	50,829				50,829
Trade accounts receivable	lar/n/a						
Receivables from finance leases	n/a	21,895				21,895	25,537
Others	lar	194,753	194,753				194,753
Other current financial assets	lar	13,444	13,444				13,444
Other non-current financial assets	lar/afs						
Investments	afs	677,350	8,720	668,630			677,350
Others	lar	17,937	17,937				23,640
Financial liabilities							0
Trade accounts payable	flac	-360,334	-360,334				-360,334
Liabilities due to banks	flac	-1,374,002	-1,374,002				-1,374,002
Other financial liabilities	flac/n/a						0
Finance leases	n/a	-106,113				-106,113	-107,436
Others	flac	-87,945	-87,945				-87,945
Of which aggregated acc. to valuation categories:							
Loans and receivables (lar)	lar	276,963	276,963	0	0	0	282,666
Available-for-sale (afs)	afs	677,350	8,720	668,630	0	0	677,350
Financial liabilities measured at amortized cost (flac)	flac	-1,822,281	-1,822,281	0	0	0	-1,822,281
Finance leases	n/a	-84,218	0	0	0	-84,218	-81,899

The following net results were stated for the individual categories of financial instruments acc. to IAS 39 in fiscal year 2014:

Net result acc. to valuation categories 2014 (in €k)	Valuation category acc. to IAS 39	From interest and dividends	Net profits and losses from subsequent valuation			Net result
			Fair value	Currency translation	Value adjusted	
Loans and receivables (lar)	lar	1,435	--	1,088	-22,350	-19,827
Available for sale (afs)	afs					
- of which not affecting net income		--	211,363	--	--	211,363
- of which affecting net income		395	--	--	--	395
Financial liabilities measured at amortized cost (flac)	flac	-14,028	--	467	--	-13,561
Hedgingderivatives (hd)	hd					
- of which not affecting net income		--	959			959
- of which affecting net income		-2,667	-6,723	--	--	-9,390
Total		-14,865	205,599	1,555	-22,350	169,939

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

As in the previous year, the fair value of other non-current financial assets differs from the carrying amount as prorated loss assumptions from accounting using the equity method were allocated to existing loans.

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

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

Non-current liabilities due to banks are loans which can be prematurely redeemed. In addition, both the basic interest rate and the margin are variable. The margin depends on predefined KPIs of the United Internet Group. Due to these factors, it is assumed that their carrying values of non-current liabilities correspond approximately to fair value.

Due to the short period between their arrangement and the balance sheet date, the fair values of promissory note loans correspond to their respective carrying amounts.

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

The following table shows the carrying values for each category of financial assets and liabilities for fiscal year 2013:

	Valuation category acc. to IAS 39	Carrying value on Dec. 31, 2013	Valuation acc. to IAS 39 Amortized cost	Fair value not through profit or loss	Fair value through profit or loss	Measurement acc. to IAS 17	Fair value on Dec. 31, 2013
Financial assets							
Cash and cash equivalents	lar	42,775	42,775				42,775
Trade accounts receivable	lar	135,524	135,524				135,524
Other current financial assets	lar						
Purchase price receivable	lar	10,181	10,181				10,181
Others	lar	8,483	8,483				8,483
Other non-current financial assets	lar/afs						
Investments	afs	31,104	8,720	22,384			31,104
Others	lar	16,451	16,451				21,806
Financial liabilities							
Trade accounts payable	flac	-260,216	-260,216				-260,216
Liabilities due to banks	flac	-340,042	-340,042				-340,042
Other financial liabilities	flac/hd/n/a						
Interest swaps - hedge accounting	hd	-7,915		-7,682	-233		-7,915
Finance leases	n/a	-2,476				-2,476	-2,476
Other	flac	-59,164	-59,164				-59,164
Of which aggregated acc. to valuation categories:							
Loans and receivables (lar)	lar	213,414	213,414	0	0	0	218,769
Available-for-sale (afs)	afs	31,104	8,720	22,384	0	0	31,104
Financial liabilities measured at amortized cost (flac)	flac	-659,422	-659,422	0	0	0	-659,422
Hedging derivatives (hd) (negative market value)	hd	-7,915	0	-7,682	-233	0	-7,915
Finance leases	n/a	-2,476	0	0	0	-2,476	-2,476

Financial liabilities carried at fair value through profit or loss refer to an interest hedging transaction.

The following table shows the carrying values for each category of financial assets and liabilities for fiscal year 2013:

Net result acc. to valuation categories 2013 (in €k)	Valuation category acc. to IAS 39	From interest and dividends	Net profits and losses from subsequent valuation Fair value	Currency translation	Value adjusted	Net result
Loans and receivables (lar)	lar	1,131	--	-267	-27,010	-26,146
Available for sale (afs)	afs					
- of which not affecting net income		--	-555	--	--	-555
- of which affecting net income		260	--	--	--	260
Financial liabilities measured at amortized cost (flac)	flac	-6,439	--	-114	--	-6,553
Held for trading (hft) - affecting net income	hft	-5,447	5,488	--	--	41
Hedging derivatives (hd)	hd					
- of which not affecting net income		--	3,674	--	--	3,674
- of which affecting net income		-3,640	--	--	--	-3,640
Total		-14,131	8,607	-381	-27,010	-32,919

The fair value of financial assets and liabilities is stated at the amount at which the instrument concerned might be exchanged in a current transaction (excluding a forced sale or liquidation) between willing business partners.

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

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

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2014, and as in the previous year, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

- The fair value of unquoted instruments, loans from banks and other financial liabilities, as well as other non-current financial liabilities, is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. As at 31 December 2014, and as in the previous year, the carrying amounts of such liabilities not materially different from their calculated fair values.

- Fair values of available-for-sale financial assets are derived from quoted market prices in active markets, if available.

- The fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.

Fair value hierarchy

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

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

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

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

Assets and liabilities measured at fair value

	As of Dec. 31, 2014	Level 1	Level 2	Level 3
	€k	€k	€k	€k
Available-for-sale financial assets				
Listed shares	668,630	668,630		
Financial liabilities at fair value through profit or loss				
Interest rate swap	0		0	

In the reporting period ending 31 December 2014, there were no transfers between levels.

	As of Dec. 31, 2013	Level 1	Level 2	Level 3
	€k	€k	€k	€k
Available-for-sale financial assets				
Listed shares	22,384	22,384		
Financial liabilities at fair value through profit or loss				
Interest rate swap	7,915		7,915	

The valuation of shares in unlisted companies is mainly based on present value models, using planning calculations and market-observable interest rates. The resulting fair values are compared with information from market transactions of comparable shares.

Derivative financial instruments

In fiscal year 2011, United Internet AG concluded four interest swap agreements. The total nominal volume amounts to € 180,000k with a term until June 7, 2016. The interest hedging transactions were concluded to hedge against the interest rate risk, met the requirements of IAS 39 on *Hedge Accounting* and, if effective, were recognized in equity at fair value. Against the backdrop of a new syndicated loan signed in August 2014 and the resulting elimination of the underlying transaction, the interest hedging agreements were prematurely terminated on 21 November 2014 on payment of an amount equal to the negative market value of € 6,723k. As a result of the termination of this hedge, the amount was measured for the last time without effect on profit or loss at the time of premature termination and then expensed.

As of December 31, 2013, the negative fair value amounted to € 7,915k (including deferred interest of € 233k) and was disclosed under other financial liabilities.

42. Transactions with related parties

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

As of October 1, 2014, Mr. Jan Oetjen and Mr. Martin Witt were appointed to the Management Board of United Internet AG. Both had previously been appointed to management boards of subsidiaries of United Internet AG. Otherwise, there were no changes to the circle of related parties as compared with the consolidated financial statements as at December 31, 2013.

United Internet's premises in Montabaur are leased from Mr. Ralph Dommermuth, the Chief Executive Officer and a major shareholder of the Company. The corresponding lease agreements have different terms between the end of 2014 and February 2025. The resulting rent expenses are customary and amounted to € 7,338k in fiscal year 2014 (prior year: € 5,781k).

At the ordinary shareholders' meeting on June 2, 2010, Mr. Kurt Dobitsch (chairman), Mr. Michael Scheeren and Mr. Kai-Uwe Ricke were re-elected as members of the Company's Supervisory Board. The Supervisory Board was elected for the period ending with the Annual Shareholders' Meeting which adopts the resolution to release the Supervisory Board members from their responsibility for fiscal year 2014.

In fiscal year 2014, 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
- United Internet Ventures AG, Montabaur (chair)
- 1&1 Telecommunication AG, Montabaur
- GMX & WEB.DE Mail & Media SE, Montabaur (from February 20, 2014 to March 16, 2015)
- 1&1 Telecommunication Holding SE, Montabaur (from February 21, 2014 to March 16, 2015)
- United Internet Mail & Media SE, Montabaur (formerly Atrium 69. Europäische VV SE, Berlin), (from December 4, 2014 to March 16, 2015)
- United Internet Service SE, Montabaur (formerly Atrium 73. Europäische VV SE, Frankfurt am Main) (from December 4, 2014 to March 16, 2015)
- Nemetschek AG, Munich (chair)
- Bechtle AG, Gaildorf
- Graphisoft S.E., Budapest / Hungary
- Singhammer IT Consulting AG, Munich
- Vectorworks Inc., Columbia / USA (since June 11, 2014)

Kai-Uwe Ricke

- 1&1 Internet AG, Montabaur
- United Internet Ventures AG, Montabaur
- 1&1 Telecommunication AG, Montabaur
- GMX & WEB.DE Mail & Media SE, Montabaur (since February 20, 2014)
- 1&1 Telecommunication Holding SE, Montabaur (since February 21, 2014)
- United Internet Mail & Media SE, Montabaur (formerly Atrium 69. Europäische VV SE, Berlin) (from December 4, 2014 to March 16, 2015)
- United Internet Service SE, Montabaur (formerly Atrium 73. Europäische VV SE, Frankfurt am Main) (from December 4, 2014 to March 16, 2015)
- SUSI Partners AG, Zurich / Switzerland
- euNetworks Group Ltd., Singapore / Singapore
- Delta Partners, Dubai / Emirate of Dubai (chair)
- Zalando SE, Berlin (since June 3, 2014)
- Virgin Mobile CEE, Amsterdam / Netherlands (since September 12, 2014)

Michael Scheeren

- 1&1 Internet AG, Montabaur (chair)
- United Internet Ventures AG, Montabaur
- 1&1 Telecommunication AG, Montabaur (chair)
- GMX & WEB.DE Mail & Media SE, Montabaur (chair) (since February 20, 2014)
- 1&1 Telecommunication Holding SE, Montabaur (chair) (since February 21, 2014)
- United Internet Mail & Media SE, Montabaur (formerly Atrium 69. Europäische VV SE, Berlin) (chair) (from December 4, 2014 to March 16, 2015)
- United Internet Service SE, Montabaur (formerly Atrium 73. Europäische VV SE, Frankfurt am Main) (chair) (from December 4, 2014 to March 16, 2015)
- Sedo Holding AG, Montabaur (chair) (until July 14, 2014)
- Goldbach Group AG, Küsnacht-Zurich / Switzerland
- Lottowelt AG, Düsseldorf (from September 4, 2014 to January 26, 2015)

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 receives for fiscal year 2014 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 members of the Supervisory Board of United Internet AG also hold seats on the supervisory boards of various Group companies. As of fiscal year 2010, they receive separate compensation from 1&1 Internet AG consisting of a fixed and a variable element. The fixed remuneration for ordinary members of the supervisory board amounts to € 20k per full fiscal year. The chairman of the supervisory board receives € 30k per full fiscal year. The performance-oriented compensation for each member of the supervisory board, including the chairman, is based on the earnings figures of 1&1 Internet AG. It amounts to at least € 30k and a maximum of € 70k per full fiscal year.

The recommendations of the German Corporate Governance Code regarding the remuneration system for supervisory boards have changed since the last compensation resolution of the Annual Shareholders' Meeting of United Internet AG on June 2, 2010. The German Corporate Governance Code now recommends that supervisory board members receive only a fixed compensation in order to strengthen their independence and that variable compensation should no longer be granted. Against this backdrop, the Supervisory Board and Management Board will present to the Annual Shareholders' Meeting to be held on May 21, 2015, a new compensation system which is fully compliant with the latest German Corporate Governance Code. It comprises a fixed annual remuneration component and an attendance fee per meeting.

Against the background of the planned new remuneration system, the Supervisory Board of United Internet AG has opted for voluntary self-restraint in its compensation for 2014 based on the amounts of the previous year.

The following table provides details on the compensation received by members of the Supervisory Board of United Internet AG and 1&1 Internet AG:

	United Internet AG			1&1 Internet AG			Total		
2014	Fixed €k	Variable €k	Total €k	Fixed €k	Variable €k	Total €k	Fixed €k	Variable €k	Total €k
Kurt Dobitsch	20	57	77	20	62	82	40	119	159
Kai-Uwe Ricke	10	57	67	20	62	82	30	119	149
Michael Scheeren	10	57	67	30	62	92	40	119	159
	40	171	211	70	186	256	110	357	467

	United Internet AG			1&1 Internet AG			Insgesamt		
2013	Fixed €k	Variable €k	Total €k	Fixed €k	Variable €k	Total €k	Fixed €k	Variable €k	Total €k
Kurt Dobitsch	20	57	77	20	62	82	40	119	159
Kai-Uwe Ricke	10	57	67	20	62	82	30	119	149
Michael Scheeren	10	57	67	30	62	92	40	119	159
	40	171	211	70	186	256	110	357	467

Until its change in legal status to that of a private limited company ("GmbH"), Mr. Michael Scheeren also received remuneration as chairman of the supervisory board of Sedo Holding GmbH (formerly Sedo Holding AG). Mr. Michael Scheeren no longer received any compensation as chairman of the supervisory board for fiscal year 2014 (prior year: € 30k).

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

The Supervisory Board is responsible for determining the remuneration of the Management Board. The members of the Management Board are compensated according to performance. This compensation consists of a fixed and a variable element (bonus). A target remuneration figure is agreed for the fixed component and the bonus, which is regularly reviewed. The last review was made in fiscal year 2014. The fixed remuneration component is paid monthly as a salary. The size of the bonus depends on reaching certain, fixed financial targets agreed at the beginning of the fiscal year. These targets are based mainly on sales and earnings figures. The target attainment corridor is generally between 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 generally made after the annual financial statements have been adopted by the Supervisory Board. In fiscal year 2014, total remuneration of € 2,526k (prior year: € 1,522k for three Management Board members) was agreed for the Management Board. Of this total, € 1,467k or 58% was fixed and € 1,060k or 42% variable.

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

The following table provides details on the compensation received by members of the Management Board:

2014	Fixed €k	Variable €k	Total €k
Ralph Dommermuth	300	247	547
Robert Hoffmann	300	200	500
Norbert Lang	300	196	496
Jan Oetjen	292	242	533
Martin Witt	275	175	450
	1,467	1,060	2,526

2013	Fixed €k	Variable €k	Total €k
Ralph Dommermuth	300	237	537
Robert Hoffmann	300	198	498
Norbert Lang	300	187	487
	900	622	1,522

In previous years, or until their appointment to the Management Board of United Internet AG, virtual stock options (so-called Stock Appreciation Rights; components with a long-term incentive; conditions see 37) were granted to Mr. Norbert Lang, Mr. Martin Witt and Mr. Jan Oetjen, as well as to Mr. Robert Hoffmann. In the fiscal year 2014, Mr. Norbert Lang exercised 200,000, Mr. Robert Hoffmann 225,000, Mr. Martin Witt 25,000 and Mr. Jan Oetjen 150,000 subscription rights.

The number of shares in United Internet AG held by members of the Management Board and the Supervisory Board is given in the following table:

Shareholding	January 1, 2014			December 31, 2014		
Management Board	**Direct**	**Indirect**	**Total**	**Direct**	**Indirect**	**Total**
Ralph Dommermuth	---	82,000,000	82,000,000	---	82,000,000	82,000,000
Robert Hoffmann	29,405	---	29,405	75,000	---	75,000
Norbert Lang	222,572	402,428	625,000	256,405	197,428	453,833
Jan Oetjen	---	---	---	3,994	---	3,994
Martin Witt	---	---	---	---	---	---
	251,977	**82,402,428**	**82,654,405**	**335,399**	**82,197,428**	**82,532,827**
Supervisory Board	**Direct**	**Indirect**	**Total**	**Direct**	**Indirect**	**Total**
Kurt Dobitsch	---	---	---	---	---	---
Kai-Uwe Ricke	---	---	---	---	---	---
Michael Scheeren	500,000	---	500,000	300,000	---	300,000
	500,000	**---**	**500,000**	**300,000**	**---**	**300,000**

The United Internet Group can also exert a significant influence on its associated companies and joint ventures.

Conditions of transactions with related parties

Sales to and purchases from related parties are conducted at standard market conditions. The open balances at year-end are unsecured, non-interest-bearing and settled in cash. There are no guarantees for receivables from or liabilities due to related parties. No allowances were recognized for receivables from related parties in fiscal year 2014 or the previous year. An impairment test is conducted annually. This includes an assessment of the financial position of the related party and the development of the market in which they operate.

An amount of € 5,736k from two loans provided to the associated company ProfitBricks GmbH in previous years and the deferred interest up to this point were contributed to the company as part of a capital increase in April 2014. An amount of € 2,400k was paid to equity in a further capital increase. In addition, a convertible loan of € 600k was provided to the company in April 2014. There are therefore a total of two loan agreements (prior year: three) with the associated company ProfitBricks GmbH with a total volume of € 7.7 million (prior year: € 12.7 million). The interest on the loans is not due until March 31, 2016 and March 31, 2020. The contract provides for special repayment possibilities. At the end of the reporting period, the receivable including interest amounted to € 8,543k (prior year: € 11,818k).

There is a loan agreement with der TLDDOT GmbH, Berlin, with a volume of € 510k as of December 31, 2014. The loan can be drawn in three tranches, which are each linked to certain conditions. The loan bears interest of 1.75% p.a.. Interest is due at the end of each year. The loan expires on December 31, 2023. The loan agreement includes a repayment plan and special repayment possibilities. As of the balance sheet date, the receivable amounted to € 135k.

Dividend income of DomainsBot S.r.l., Rome/Italy and Afilias Ltd., Dublin/Ireland amounting to € 395k (prior year: € 260k) was also received.

The following table presents the outstanding balances and total transactions volumes with associated companies in the respective fiscal year:

Purchases/ services from related parties		Sales/ services to related parties		Liabilities due to related parties		Receivables from related parties	
2014	2013	2014	2013	2014	2013	2014	2013
€k	€k	€k	€k	€k	€k	€k	€k
6,270	3,887	278	10	1,030	1,223	8,679	11,908

In fiscal year 2013, United Internet purchased 452,414 shares in Sedo Holding AG via United Internet Ventures AG from the members of executive bodies Ralph Dommermuth, Norbert Lang and Michael Scheeren. The sale resulted in liabilities of United Internet Ventures AG due to members of executive bodies of € 1,176k as of December 31, 2013. This is disclosed in the table under liabilities due to related parties.

Receivables from other related parties mainly result from loans to ProfitBricks GmbH. Interest income of € 347k (prior year: € 396k) accrued in this connection.

Interest		Interest	
2014	2013	2014	2013
€k	€k	€k	€k
742	698	0	3

43. Objectives and methods of financial risk management

Principles of risk management

The risk management system introduced by the United Internet Group is based on the COSO-ERM framework and is described in detail in the Management Report.

The principles of finance policy are set by the Management Board and monitored by the Supervisory Board. Certain transactions require the prior approval of the Supervisory Board.

The main financial liabilities used by the Group include bank loans, promissory note loans and overdraft facilities, trade accounts payable and other financial liabilities.

The Group holds various financial assets which result directly from its business activities. They consist mainly of trade accounts receivable, available-for-sale financial investments and short-term deposits.

As of the balance sheet date, the Group mainly held primary financial instruments.

The aim of financial risk management is to limit these risks through ongoing operating and financial activities. The Company is hereby exposed to certain risks with regard to its assets, liabilities and planned transactions, especially liquidity risks and market risks, as described below.

Liquidity risk

As in the previous year, the general liquidity risk of United Internet consists of the possibility that the Company may not be able to meet its financial obligations, such as the redemption of financial debts. The Company's objective is the continual coverage of its financial needs and securing flexibility by using overdraft facilities and loans.

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

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

The following table shows all contractually fixed payments for redemption, repayments and interest for financial liabilities carried in the balance sheet as of December 31, 2014 and 2013:

	Dec. 31, 2014	**2015**	**2016**	**2017**	**2018**	**> 2019**	**Total**
	€k	€k	€k	€k	€k	€k	€k
Liabilities to banks	1,374,002	49,332	16,608	431,150	214,344	756,346	1,467,780
Trade accounts payable	360,334	356,141	713	660	614	2,206	360,334
Other financial liabilities	194,058	106,207	16,819	15,532	14,011	52,203	204,772

	Dec. 31, 2013	**2014**	**2015**	**2016**	**2017**	**> 2018**	**Total**
	€k	€k	€k	€k	€k	€k	€k
Liabilities to banks	340,042	24,217	4,627	185,352	3,890	142,924	361,010
Trade accounts payable	260,221	260,221	0	0	0	0	260,221
Other financial liabilities	73,925	68,706	4,284	955	0	0	73,945

Please refer to note 32 for details on interest and redemption payments for liabilities to banks.

The Company has no significant concentration of liquidity risks.

Market risk

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

Interest risk

The Group is exposed to interest risks as the major share of its borrowing as of the balance sheet date bears variable interest rates with varying terms. As part of liquidity planning we constantly monitor the various investment possibilities and borrowing structure. 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.

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.

The interest risk is negligible for other interest-bearing liabilities

Currency risk

A currency risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate due to changes in the exchange rates. The Group is mainly exposed to currency risks as a result of its operations (if revenue and/or expenses are in a currency other than the Group's functional currency) and its net investments in foreign subsidiaries. The currency risk of United Internet results from investments, financing activities and operations. Currency risks which do not affect cash flows (i.e. risks from translating the assets and liabilities of foreign operations into the Group's reporting currency) are not hedged against. In the period under review, there were no foreign exchange risks with a significant impact on the cash flows.

With regard to operating activities, individual Group companies perform their business mainly in their respective functional currencies. As in the previous year, the Company therefore regards the currency risk from operations as low. Certain Group companies are exposed to foreign exchange risks in connection with planned payments outside their functional currency.

Foreign exchange risks arise from financial instruments which are denominated in a different currency to the functional currency and are of a monetary nature; exchange rate differences from the translation of annual financial statements into the Group's reporting currency are not considered. The relevant risk variables include all non-functional currencies in which the Company holds financial instruments.

The Company has assessed its foreign currency risks. On the basis of this analysis, there are no indications for significant currency risks which require reporting.

Stock exchange risk (valuation risk)

The Company classifies certain (quoted) financial assets as available-for-sale and records changes in their fair value in equity without an effect on profit or loss. If there is a significant or persistent decrease in the fair value of an equity instrument below its acquisition cost, the Company recognizes an impairment of the financial instrument in its income statement. The fair value of these listed assets amounted to € 668,630k as of the balance sheet date (prior year: € 22,384k).

Impairments may result from the share price development of listed investments.

The Company has no significant concentration of market risks.

Credit and contingency risk

In the course of its operating activities, the Company is exposed to a contingency risk. A sophisticated and preventive fraud management system has therefore been established which is being permanently enhanced. Outstanding amounts are still monitored locally and on a continual basis. Individual and lump-sum allowances are made to account for such contingency risks. The Company sees a slight decrease in the contingency risk over the previous year.

With regard to trade accounts receivable, the maximum risk in the gross amount stated in the balance sheet is before allowances but after netting. Trade accounts receivable which are not impaired as of the balance sheet date, are classified according to periods in which they become overdue (see note 20).

Internal rating system

In the 1&1 sub-group, a pre-contractual fraud check is conducted and collection agencies are also used for the management of receivables. In addition, a pre-contractual check of creditworthiness is made in the media sales business and collection agencies are also used for the management of receivables.

In the 1&1 sub-group, individual allowances for receivables overdue are generally made on the basis of the respective age profile. These allowances are mainly derived from success rates of the agencies used for collecting such debts. 100% individual allowances are made for all receivables overdue more than 365 days. In the Sedo sub-group, individual allowances are made for each customer according to various criteria (e.g. dunning level, insolvency, fraud cases etc.).

The Company has no significant concentration of credit risks.

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 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.

Capital management

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

In order to maintain and adapt its capital structure, the Company can adjust dividend payments or pay capital back to its shareholders, can purchase treasury shares and place them again if required, or issue new shares. As of December 31, 2014 and December 31, 2013, no changes were made to the Company's targets, methods and processes.

44. Specific contingencies and commitments

Litigation

Litigation risks mainly relate to various legal disputes of 1&1, Versatel and Sedo Holding.

Accruals for litigation were formed for any commitments arising from these disputes (see note 35).

Guarantees

As of the balance sheet date, the Company has issued no guarantees.

45. Leases, other financial commitments, guarantees and contingent liabilities

Group as lessee

Operating lease contracts

The obligations mainly comprise leased network obligations including subscriber lines, buildings, technical equipment and vehicles. The contracts generally include renewal options. The year-on-year increase in existing obligations as of December 31, 2014 results mainly from the acquisition of the Versatel Group in fiscal 2014.

Most leases have options to prolong the contractual relationship. The terms of these prolongation options are negotiable or identical with the current terms.

As of December 31, the future minimum lease obligations were as follows:

	2014	**2013**
	€k	**€k**
Up to 1 year	67,891	22,518
2 to 5 years	87,164	48,946
Over 5 years	30,317	15,543
Total	**185,372**	**87,007**

In the period under review, these operating leases incurred expenses of € 60,638k (prior year: € 20,131k).

Finance leases

The payment obligations resulting from finance leases as of the balance sheet date are carried as a liability at the present value of the future lease payments. Finance leases relate primarily to rent and lease agreements for the passive network infrastructure of the Versatel Group. Most leases include renewal options. Future minimum lease payments from finance leases can be reconciled to their present value as follows:

	2014		**2013**	
	Minimum lease payments	**Present value of the minimum lease payments**	**Minimum lease payments**	**Present value of the minimum lease payments**
	€k	**€k**	**€k**	**€k**
Up to 1 year	18,577	18,381	1,440	1,390
2 to 5 years	57,789	54,724	1,135	1,086
Over 5 years	40,461	33,008	0	0
Total	116,827	106,113	2,575	2,476
Less interest share	-10,714	---	-99	---
Present value of minimum lease payments	**106,113**	**106,113**	**2,476**	**2,476**

Group as lessor

Finance leases

The Group has finance leases on the level of the Versatel Group acquired in the fiscal year in which the Versatel Group acts as lessor. These are disclosed in trade accounts receivable. The following table shows a reconciliation of gross investments in leases and the present value of outstanding minimum lease payments, as well as their maturities:

	Dec. 31, 2014	**Dec. 31, 2013**
	€k	€k
Gross investment		
(thereof unguaranteed residual values)		
thereof due within 1 year	2,613	0
thereof due in 1-5 years	10,708	0
thereof due after more than 5 years	16,665	0
Unearned finance income	-8,091	0
Net investment	21,895	0
Accumulated impairment	0	0
Carrying amount of finance lease receivables	**21,895**	**0**
less present value of unguaranteed residual values	0	0
Present value of outstanding minimum lease payments	**21,895**	**0**
thereof due within 1 year	2,613	0
thereof due in 1-5 years	8,987	0
thereof due after more than 5 years	10,295	0

Finance lease receivables relate solely to leases for the provision and use of dark fiber.

Guarantees and other obligations

The Company is jointly and severally liable for credit lines granted to companies of the United Internet Group by a bank. The credit facilities had only been utilized with regard to guarantees as of the balance sheet date.

The Management Board has no knowledge of any other facts which could have a significant, adverse effect on the business activities, the financial situation or the operating result of the Company.

46. Statement of cash flows

In fiscal year 2014, cash flow from operating activities includes interest paid of € 24,275k (prior year: € 18,358k) and interest received of € 454k (prior year: € 2,138k). Income tax payments in fiscal year 2014 amounted to € 405,248k (prior year: € 156,276k) while income tax proceeds totaled € 1,744k (prior year: € 23,818k). Tax payments for fiscal 2014 include an amount of € 335,694k (prior year: € 0k) for the allowable capital tax including solidarity surcharge paid in December 2014 in connection with a dividend distributed within the Group.

A total of € 23,065k (prior year: € 22,724k) was paid in cash for the purchase of shares in associated companies, € 942,233k (prior year: € 130,148k) for the purchase of affiliated companies, and € 334,719k (prior year: € 0k) for investments in other financial assets in fiscal year 2014.

47. Exemption pursuant to Sec. 264 (3) HGB

The following companies of United Internet AG make use of the exempting provisions of Sec. 264 (3) HGB:

- 1&1 Berlin Telecom Service GmbH, Berlin
- 1&1 De-Mail GmbH, Montabaur
- 1&1 Internet AG, Montabaur
- 1&1 Internet Service GmbH, Montabaur
- 1&1 Internet Service Holding GmbH, Montabaur
- 1&1 Logistik GmbH, Montabaur
- 1&1 Mail & Media GmbH, Montabaur
- 1&1 Mail & Media Development & Technology GmbH, Montabaur
- 1&1 Mail & Media Holding GmbH, Montabaur
- 1&1 Mail & Media Service GmbH, Montabaur
- 1&1 Telecom GmbH, Montabaur
- 1&1 Telecom Sales GmbH, Montabaur
- 1&1 Telecom Service Holding Montabaur GmbH, Montabaur
- 1&1 Telecom Service Montabaur GmbH, Montabaur
- 1&1 Telecom Service Zweibrücken GmbH, Zweibrücken
- 1&1 Telecommunication AG, Montabaur
- 1&1 Telecommunication Holding SE, Montabaur
- A1 Marketing, Kommunikation und neue Medien GmbH, Montabaur
- affilinet GmbH, Munich
- GMX & WEB.DE Mail & Media SE, Montabaur
- United Internet Corporate Services GmbH, Montabaur
- United Internet Dialog GmbH, Montabaur
- United Internet Mail & Media SE, Montabaur
- United Internet Media GmbH, Montabaur
- United Internet Service SE, Montabaur
- United Internet Ventures AG, Montabaur
- Versatel GmbH, Berlin

- Versatel Deutschland GmbH, Düsseldorf
- Versatel Hanse GmbH, Munich
- Versatel Holding GmbH, Berlin
- Versatel Telecommunications GmbH, Düsseldorf
- TROPOLYS Service GmbH, Düsseldorf

48. Subsequent events

On February 13, 2015, United Internet participated in the capital increase of Rocket Internet AG and raised its stake from 8.2% to 8.3%. The purchase price for the additional shares amounted to € 58,849k.

49. Auditing fees

In fiscal year 2014, auditing fees totaling € 3,852k (prior year: € 2,566k) were expensed in the consolidated financial statements. These include auditing fees of € 1,095k (prior year: € 1,157k), tax consultancy services of € 1,453k (prior year: € 1,162k), and other services of € 1,303k (prior year: 247k).

50. List of shareholdings of the United Internet AG Group acc. to Sec. 313 (2) HGB

As of December 31, 2014, the Group includes the following subsidiaries in which United Internet AG holds a direct or indirect majority interest (as indicated by the shareholdings in brackets). Unless otherwise stated, the shareholding corresponds to the proportion of voting rights:

<u>1&1 Internet</u>:

- 1&1 Internet AG, Montabaur (100.0%)
  - 1&1 Internet Development SRL, Bucharest / Romania (100.0%)
  - 1&1 Internet Inc., Chesterbrook / USA (100.0%)
    - A1 Media USA LLC, Chesterbrook / USA (100.0%)
    - 1&1 Cardgate LLC, Chesterbrook / USA (100.0%)
  - 1&1 Internet Ltd., Slough / UK (100.0%)
  - 1&1 Internet S.A.R.L., Saargemünd / France (100.0%)
  - 1&1 Internet España S.L.U., Madrid / Spain (100.0%)
  - 1&1 Internet Service GmbH, Montabaur (100.0%)
  - 1&1 Internet (Philippines) Inc., Cebu City / Philippines (100.0%)
  - 1&1 Internet Sp.z o.o, Warsaw / Poland (100.0%)
  - 1&1 Mail & Media Inc., Chesterbrook / USA (100.0%)
  - 1&1 UK Holdings Ltd., Slough / UK (100.0%)
    - Fasthosts Internet Ltd., Gloucester / UK (100.0%)
      - Dollamore Ltd., Gloucester / UK (100.0%)
      - Fasthosts Internet Inc., Chesterbrook / USA (100.0%)
  - GMX & WEB.DE Mail & Media SE, Montabaur (100.0%)
    - 1&1 Mail & Media Holding GmbH, Montabaur (100.0%)
      - 1&1 Mail & Media Service GmbH, Montabaur (100.0%)
      - United Internet Media GmbH, Montabaur (100.0%)
        - United Internet Dialog GmbH, Montabaur (100.0%)
      - UIM United Internet Media Austria GmbH, Vienna / Austria (100.0%)
      - 1&1 Mail & Media GmbH, Montabaur (100.0%)
        - 1&1 Mail & Media Development & Technology GmbH, Montabaur (100.0%)
        - 1&1 De-Mail GmbH, Montabaur (100.0%)
    - affilinet GmbH, Munich (100.0%)
      - affilinet Austria GmbH, Vienna / Austria (100.0%)
      - affilinet España S.L.U., Madrid / Spain (100.0%)
      - affilinet France SAS, Saint-Denis / France (100.0%)
      - affilinet Ltd., London / UK (100.0%)
      - affilinet Nederland B.V., Haarlem / Netherlands (100.0%)
      - affilinet Schweiz GmbH, Zurich / Switzerland (100.0%)
      - Cleafs B.V., Groningen / Netherlands (100.0%)
  - A1 Marketing Kommunikation und neue Medien GmbH, Montabaur (100.0%)
  - Immobilienverwaltung AB GmbH, Montabaur (100.0%)
  - Immobilienverwaltung NMH GmbH, Montabaur (100.0%)

    - InterNetX GmbH, Regensburg (95.56%)
        - InterNetX LAC S.A., Buenos Aires / Argentina (100.0%)
        - Schlund Technologies GmbH, Regensburg (100.0%)
        - PSI-USA, Inc., Las Vegas / USA (100.0%)
        - Domain Robot Enterprises Inc., Vancouver / Canada (100.0%)
        - Domain Robot Servicos de Hospedagem na Internet Ltda., São Paulo / Brazil (99.99%)
        - myLLC GmbH, Regensburg (100.0%)
        - myLLP GmbH, Regensburg (100.0%)
        - mySRL GmbH, Regensburg (100.0%)
        - InterNetX Corp., Miami / USA (100.0%)
    - united-domains AG, Starnberg (100.0%)
        - united-domains Reselling GmbH, Starnberg (100.0%)
        - United Domains, Inc., Cambridge / USA (100.0%)
    - 1&1 Datacenter SAS, Strasbourg / France (100.0%)
    - Arsys Internet S.L., Logroño / Spain (100.0%)
        - E.U.R.L. Arsys Internet, Perpignan / France (100.0%)
        - Tesys Internet S.L., Logroño / Spain (100.0%)
        - Nicline Internet S.L.U., Logroño / Spain (100.0%)

<u>1&1 Telecom</u>:

- 1&1 Telecommunication Holding SE, Montabaur (100.0%)
    - 1&1 Telecommunication AG, Montabaur (100.0%)
        - 1&1 Telecom Holding GmbH, Montabaur (100.0%)
            - 1&1 Telecom GmbH, Montabaur (100.0%)
                - 1&1 Breitband GmbH, Montabaur (100.0%)
            - 1&1 Telecom Service Montabaur GmbH, Montabaur (100.0%)
                - 1&1 Telecom Service Zweibrücken GmbH, Zweibrücken (100.0%)
    - 1&1 Telecom Sales GmbH, Montabaur (100.0%)
    - 1&1 Logistik GmbH, Montabaur (100.0%)
    - 1&1 Berlin Telecom Service GmbH, Berlin (100.0%)
    - Versatel Telecommunications GmbH, Düsseldorf (100.0%)
        - Versatel GmbH, Berlin (100.0%)
            - Versatel Holding GmbH, Berlin (100.0%)
                - Versatel Hanse GmbH, Munich (100.0%)
                - Versatel Deutschland GmbH, Düsseldorf (100.0%)
                    - Versatel Beteiligungs GmbH, Düsseldorf (100.0%)
                    - Versatel Immobilien Verwaltungs GmbH, Düsseldorf (100.0%)
                    - TROPOLYS Service GmbH, Düsseldorf (100.0%)
                    - TROPOLYS Netz GmbH, Düsseldorf (100.0%)
                    - Versatel Service Nord GmbH & Co. KG, Düsseldorf (100.0%)
                    - Versatel Service BreisNet GmbH & Co. KG, Düsseldorf (100.0%)
                    - Versatel Service Süd GmbH & Co. KG, Düsseldorf (100.0%)
                    - Versatel Service West GmbH & Co. KG, Düsseldorf (100.0%)
                    - Versatel Service Ost GmbH & Co. KG, Düsseldorf (100.0%)

United Internet investments:

- United Internet Ventures AG, Montabaur (100.0%)

Sedo Holding:

- Sedo Holding GmbH, Montabaur (100.0%)
  - Sedo GmbH, Cologne (100.0%)
    - Sedo.com LLC, Cambridge / USA (100.0%)
    - DomCollect Worldwide Intellectual Property AG, Zug / Switzerland (100.0%)
    - DomCollect International GmbH, Montabaur (100.0%)

Pursuant to Sec. 479A of the UK Companies Act 2006, affilinet Ltd., London, UK, entered under No. 05409037, makes use of the provision to be exempted from an audit of its annual financial statements under commercial law.

Other:

- MIP Multimedia Internet Park GmbH, Zweibrücken (100.0%)
- United Internet Corporate Services GmbH, Montabaur (100.0%)
- 1&1 Internet Service Holding GmbH, Montabaur (100.0%)
- 1&1 Telecom Service Holding GmbH, Montabaur (100.0%)
- United Internet Service SE, Montabaur (100.0%)
- United Internet Mail & Media SE, Montabaur (100.0%)

Associated companies

Investments over whose financial and business policies the Company has a significant influence are carried as associated companies using the equity method pursuant to IAS 28 and comprise the following main companies:

- TLDDOT GmbH, Berlin (53.50%)
- Intellectual Property Management Company Inc., Dover / USA (49.00%)
- DomainsBot S.r.l, Rome / Italy (49.00%)
- Virtual Minds AG, Freiburg (48.65%)
- ProfitBricks GmbH, Berlin (30.02%)
- Open-Xchange AG, Nuremberg (28.36%, voting rights 24.9%)
- VictorianFibre Holding & Co. S.C.A., Luxembourg / Luxembourg (25.10%, voting rights 24.9%)
- ePages GmbH, Hamburg (25.1%)
- uberall GmbH, Berlin (formerly Favor.it labs GmbH, Berlin) (30.36%)

Other investments

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

- Goldbach Group AG, Küsnacht-Zurich / Switzerland (14.96%)
- MMC Investments Holding Company Ltd., Port Louis / Mauritius (11.36%)
- Hi-Media S.A., Paris / France (10.50%)
- Afilias Ltd., Dublin / Ireland (9.82%)
- Rocket Internet AG, Berlin (8.18%)

Changes in the reporting unit

In its fiscal year 2014, the United Internet Group acquired 100.0% of shares in Versatel's holding company VictorianFibre Holding Beteiligungs-GmbH including its subsidiaries. Following the acquisition, VictorianFibre Holding Beteiligungs-GmbH was merged with Versatel Telecommunications GmbH.

Moreover, 25.1% of shares in ePages GmbH, Hamburg, were acquired and 30.36% of shares in favor.it labs GmbH (now uberall GmbH), Berlin.

In the reporting period 2014, the following companies consolidated according to the equity method were contributed to Rocket Internet AG:

- Global Founders Capital Verwaltungs GmbH (formerly European Founders Fund Verwaltungs GmbH), Munich (66.67%)
- Global Founders Capital Management GmbH (formerly European Founders Fund Management GmbH), Munich (66.67%)
- Global Founders Capital GmbH & Co. Beteiligungs KG Nr. 1 (formerly European Founders Fund GmbH & Beteiligungs KG Nr. 1), Munich (66.67%)
- European Founders Fund Nr. 2 Verwaltungs GmbH, Munich (90.0%)
- European Founders Fund Nr. 2 Geschäftsführungs GmbH, Munich (90.0%)
- European Founders Fund GmbH & Co. Beteiligungs KG Nr. 2, Munich (90.0%)
- European Founders Fund Nr. 3 Verwaltungs GmbH, Munich (80.0%)
- European Founders Fund Nr. 3 Management GmbH, Munich (80.0%)
- European Founders Fund GmbH & Co. Beteiligungs KG Nr. 3, Munich (80.0%)
- European Founders Fund Nr. 3 Beteiligungs GmbH, Munich (100.0%)
- European Founders Fund Investment GmbH, Munich (33.33%)

The following companies were founded by the Company or its subsidiaries in fiscal year 2014:

- 1&1 Telecom Sales GmbH, Montabaur (100.0%)
- 1&1 Logistik GmbH, Montabaur (100.0%)
- 1&1 Berlin Telecom Service GmbH, Berlin (100.0%)

The following companies were acquired and renamed in fiscal year 2014:

- 1&1 Telecommunication Holding SE, Montabaur (100.0%) (formerly Atrium 64. Europäische VV SE, Berlin)
- GMX & WEB.DE Mail & Media SE, Montabaur (100.0%) (formerly Atrium 61. Europäische VV SE, Munich)
- United Internet Mail & Media SE, Montabaur (100.0%) (formerly Atrium 69. Europäische VV SE, Berlin)
- United Internet Service SE, Montabaur (100.0%) (formerly Atrium 73. Europäische VV SE, Frankfurt am Main)

The following companies were renamed in fiscal year 2014:

- 1&1 Mail & Media Service GmbH, Montabaur (100.0%) (formerly United Internet Media Software GmbH, Montabaur)
- 1&1 Mail & Media Development & Technology GmbH, Montabaur (100.0%) (formerly 1&1 Mail Media Beteiligungen GmbH, Montabaur)

The companies mySARL GmbH, Regensburg (100%), and myLTD GmbH, Regensburg (100%), were merged with InterNetX GmbH, Regensburg, in the reporting period 2014.

Shares held in fun communications GmbH, Karlsruhe, were sold in the reporting period.

51. Corporate Governance Code

The declaration pursuant to Sec. 161 AktG on observance of the German Corporate Governance Code was submitted by the Management Board and Supervisory Board and has been made available to shareholders via the internet portal of United Internet AG (www.united-internet.de).

Montabaur, March 20, 2015

The Management Board

Ralph Dommermuth	Robert Hoffmann	Norbert Lang	Jan Oetjen	Martin Witt

United Internet AG - Development of fixed assets acc. to IFRS for the fiscal year 2014 and 2013 (€k)

2014	Acquisition and production costs							Accumulated depreciation						Net book value	
	Jan. 1, 2014	Additions from initial consolidation	Additions	Disposals	Reclassifications	Currency translation	Dec. 31, 2014	Jan. 1, 2014	Additions	Impairment	Disposals	Currency translation	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014
Intangible assets															
Licenses	29,985	0	53	638		193	29,593	28,415	32	0	440	197	28,204	1,570	1,389
One-off charges	0	389	56				445	0	95				95	0	350
Software / Technology	104,531	4,427	8,540	3,078	-18	166	114,568	71,506	13,348	0	2,736	123	82,241	33,025	32,327
Trademark	53,810	62,000	0	0	0	2,960	118,770	882	0	0	0	51	933	52,928	117,837
Customer base	222,682	187,100	0	0	0	1,388	411,170	145,127	31,328	0	0	1,144	177,599	77,555	233,571
Goodwill	517,134	509,654	10,309	129	0	4,397	1,041,365	64,322	0	0	0	0	64,322	452,812	977,043
Total (I)	**928,142**	**763,570**	**18,958**	**3,845**	**-18**	**9,104**	**1,715,911**	**310,252**	**44,803**	**0**	**3,176**	**1,515**	**353,394**	**617,890**	**1,362,517**
Property, plant and equipment															
Land and buildings	13,992	1,773	482	2	19	0	16,264	5,681	662	0	0	0	6,343	8,311	9,921
Telecommunication equipment	0	381,064	18,218	1,184	132		398,230	0	18,871				18,871	0	379,359
Network infrastructure	0	181,296	848	415			181,729	0	7,541				7,541	0	174,188
Operational equipment	371,223	4,623	45,588	19,415	5,483	10,599	418,101	268,415	48,731	0	16,712	8,448	308,882	102,808	109,219
Payments in advance	5,056	13,213	4,247	42	-5,616	35	16,893	0	278	0	0	0	278	5,056	16,615
Total (II)	**390,271**	**581,969**	**69,383**	**21,058**	**18**	**10,634**	**1,031,217**	**274,096**	**76,083**	**0**	**16,712**	**8,448**	**341,915**	**116,175**	**689,302**
Total	**1,318,413**	**1,345,539**	**88,341**	**24,903**	**0**	**19,738**	**2,747,128**	**584,348**	**120,886**	**0**	**19,888**	**9,963**	**695,309**	**734,065**	**2,051,819**

2013	Acquisition and production costs							Accumulated depreciation						Net book value	
	Jan. 1, 2013	Additions from initial consolidation	Additions	Disposals	Reclassifications	Currency translation	Dec. 31, 2013	Jan. 1, 2013	Additions	Impairment	Disposals	Currency translation	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013
Intangible assets															
Licenses	30,021	0	39	0	0	-75	29,985	28,230	288	0	35	-68	28,415	1,791	1,570
Order backlog	2,398	0	0	2,388	0	-10	0	2,398	0	0	2,388	-10	0	0	0
Software / Technology	83,741	9,203	11,901	268	0	-46	104,531	59,712	12,050	0	220	-36	71,506	24,029	33,025
Trademark	47,191	7,553	0	0	0	-934	53,810	895	0	0	0	-13	882	46,296	52,928
Customer base	190,243	32,877	0	0	0	-438	222,682	118,088	27,044	302	0	-307	145,127	72,155	77,555
Portal	72,303	0	0	72,303	0	0	0	64,747	7,556	0	72,303	0	0	7,556	0
Goodwill	420,270	100,617	0	2,354	0	-1,399	517,134	64,022	0	300	0	0	64,322	356,248	452,812
Total (I)	**846,167**	**150,250**	**11,940**	**77,313**	**0**	**-2,902**	**928,142**	**338,092**	**46,938**	**602**	**74,946**	**-434**	**310,252**	**508,075**	**617,890**
Property, plant and equipment															
Land and buildings	8,229	0	5,763	0	0	0	13,992	5,410	271	0	0	0	5,681	2,819	8,311
Operational equipment	336,719	10,455	39,718	16,827	4,462	-3,304	371,223	237,419	46,925	0	13,617	-2,312	268,415	99,300	102,808
Payments in advance	7,068	0	2,506	45	-4,462	-11	5,056	0	0	0	0	0	0	7,068	5,056
Total (II)	**352,016**	**10,455**	**47,987**	**16,872**	**0**	**-3,315**	**390,271**	**242,829**	**47,196**	**0**	**13,617**	**-2,312**	**274,096**	**109,187**	**116,175**
Total	**1,198,183**	**160,705**	**59,927**	**94,185**	**0**	**-6,217**	**1,318,413**	**580,921**	**94,134**	**602**	**88,563**	**-2,746**	**584,348**	**617,262**	**734,065**

Audit opinion of the Independent Auditior

We have audited the consolidated financial statements prepared by United Internet AG, Montabaur – comprising the balance sheet, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements – together with the management report for the group and the company for the fiscal year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and the management report for the group and the company in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the management report for the group and the company based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with [German] principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the management report for the group and the company are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the 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 consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The management report for the group and the company is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks relating to future development.

Eschborn/Frankfurt am Main, March 24, 2015

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Grote	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 20, 2015

Board of Management

Ralph Dommermuth Robert Hoffmann Norbert Lang Jan Oetjen Martin Witt