Annual Financial Statements

2015

MANAGEMENT REPORT FOR THE GROUP AND PARENT COMPANY

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ACC. TO IFRS

CONTENTS OF THE MANAGEMENT REPORT

Note:

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

These annual financial statements are available in German and English. Both versions can also be downloaded from www.united-internet.de. In all cases of doubt, the German version shall prevail.

MANAGEMENT REPORT FOR THE FISCAL YEAR 2015

1 COMPANY AND GROUP PROFILE

1.1 BUSINESS MODEL

Group structure

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

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

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

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

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

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

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

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

Business operations

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

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

Access segment

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

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

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

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

Applications segment

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

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

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

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

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

Management

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

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

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

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

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

The Supervisory Board newly elected by the Annual Shareholders' Meeting 2015 once again comprised Mr. Kurt Dobitsch (chair), Mr. Michael Scheeren (deputy chair) and Mr. Kai-Uwe Ricke.

Main markets and competition

Germany is the most important sales market of the United Internet Group by far and accounts for around 90% of total sales. With its DSL products, the Group is among the top three suppliers in Germany's broadband market and with its mobile internet products one of the fastest growing companies. United Internet is the market leader in Germany for hosting and cloud applications.

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

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

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

Main locations

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

Main locations (by headcount)

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

1.2 STRATEGY

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

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

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

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

With its many years of experience as an access and application provider, its expertise in software development and data center operation, marketing, sales and customer support, as well as its strong and well-known brands (such as 1&1, GMX and WEB.DE), and customer relationships with millions of private users, freelancers and small companies in Germany and abroad (currently around 49 million user accounts world-wide), the company is excellently positioned.

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

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

Thanks to its high and plannable level of free cash flow, United Internet has a strong source of internal funding as well as good access to debt financing markets.

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

1.3 CONTROL SYSTEMS

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

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

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

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

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

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

The key performance indicators (KPIs) are the number of fee-based customer contracts, sales, EBITDA, EBIT, and EPS. These figures are also used in forecast reporting.

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

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

1.4 RESEARCH AND DEVELOPMENT

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

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

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

At United Internet's own development centers (especially in Karlsruhe and Bucharest), around 2,700 (prior year: 2,500) developers, product managers and technical administrators use mainly open source code in clearly defined and modeled development environments. Third-party programming services are also used to swiftly and efficiently implement specific projects. This enables the company to quickly change existing products and adapt them to changing customer needs. United Internet also procures solutions from partners, which are then modified according to needs and integrated into its systems. With the aid of its self-developed and integrated applications, United Internet has a set of modules which can be easily combined and provided with product-specific or country-specific user interfaces in order to create a variety of powerful and integrated applications – a huge benefit when tailoring products to varying target groups or for international rollouts.

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

Focus areas 2015

Access

Roll-out of 1&1 Business DSL

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

Expansion of digital service platform (Self Center)

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

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

Business Applications

Roll-out of the new 1&1 Cloud Server

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

Launch of version 8 of 1&1 MyWebsite

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

Launch of List Local in the USA

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

Consumer Applications

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

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

2 ECONOMIC REPORT

2.1 GENERAL ECONOMIC AND SECTOR CONDITIONS

General economic development

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Source: Statistisches Bundesamt, January 2016

Development of sector / core markets

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

(Stationary) broadband market in Germany

In view of the high level of household coverage already achieved and the strong trend toward mobile internet usage, demand for new landline broadband connections in Germany has slowed since 2008. With expected growth of 1.1 million to 30.7 million in 2015, the number of new connections was again well below previous record years. However, this figure corresponds to 200,000 new connections more than in the previous year (prior year: +0.9 million new connections). These figures were calculated by the Association of Telecommunications and Value-Added Service Providers (Verband der Anbieter von Telekommunikations- und Mehrwertdiensten – VATM) and Dialog Consult in their joint "TC Market Analysis for Germany 2015" published in October 2015.

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

According to calculations of Dialog Consult / VATM, however, the average volume of data used is rising much more strongly than the number of newly activated connections and sales of broadband connections – as an indicator of continued growth in usage – with growth of 19.5% to 31.8 GB (per connection and month).

Key market figures: broadband access (landline) in Germany

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

Source: Dialog Consult / VATM; PricewaterhouseCoopers

Mobile internet market in Germany

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

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

According to forecasts of Dialog Consult / VATM, the average volume of data used (per connection and month) – as an indicator of the growing use of mobile data services – rose even more strongly in the same period by 30.4% to 377 MB.

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

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

Source: PricewaterhouseCoopers; Dialog Consult / VATM

Global cloud computing market

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

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

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

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

Source: Gartner

German online advertising market

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

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

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

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

Source: PricewaterhouseCoopers

Legal conditions / significant events

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

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

2.2 BUSINESS DEVELOPMENT

Actual and forecast development

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

Forecast development

The following forecasts were published for the fiscal year 2015:

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

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

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

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

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

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

Actual development

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

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

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

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

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

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

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

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

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

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

Summary: actual and forecast development of business in 2015

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

(1) Without one-off income from Versatel acquisition and portfolio optimization (EBITDA/EBIT effect: € +186.1 million; EPS effect: € +0.82); for further details, please see the Annual Report 2014, page 60 ff

(2) Including effects from sale of Goldbach shares and part of stake in virtual minds (EBITDA effect: € +14.0 million)

(3) Organic growth (without home.pl and without one-off contract streamlining)

(4) Effects from sale of Goldbach shares and part of stake in virtual minds

Segment development

Access segment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Applications segment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In the Applications segment, United Internet made changes to its sales and marketing measures for **Business Applications** in fiscal year 2014. As part of this change, the focus in fiscal year 2015 was still primarily on the sale of additional features to existing customers (e.g. further domains, e-shops and business apps), as well as the acquisition of high-value customer relationships.

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

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

- Following approval by the relevant anti-trust authorities, the acquisition of home.pl – the market leader in Poland's webhosting market – was closed on December 30, 2015. The takeover led to around 340,000 contracts of home.pl being added to the stock of contracts as of December 31, 2015.

- In its 9-month reporting, United Internet indicated that the above mentioned price increase would also lead to contract losses in the following quarters – in view of standard contract terms for domains of one year. In the course of considerations regarding a possible IPO for the "Business Applications" division, the company's Management Board decided to remove further domain contracts from stock in the low-margin "domainer" client group already at the end of 2015. This measure led to a one-off stock adjustment of around 80,000 contracts at the turn of the year. No effects on future earnings are expected from this adjustment.

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

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

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

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

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

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

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

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

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

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

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

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

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

Group investments

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

Significant changes in investments

Rocket Internet SE

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

Goldbach Group AG

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

Drillisch AG

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

virtual minds AG

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

HiPay Group S.A.

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

home.pl S.A.

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

Possibility of an IPO for “Business Applications” division checked

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

In addition to its fully consolidated core operating companies in the Access and Applications segments, United Internet also held investments in the following companies as of December 31, 2015.

Significant investments in listed companies

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

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

In April 2015, United Internet announced that it had acquired an equity stake in **Drillisch AG**. As of December 31, 2015, the share of voting rights amounted to 20.11%. The company’s market capitalization as of December 31, 2015 was around € 2.141 billion (prior year: € 1.573 billion).

Minority holdings in partner companies

United Internet has held a stake in virtual minds AG since February 2008 (main activity: media technologies, digital advertising and hosting). Following the sale of shares in virtual minds to ProSiebenSat.1, United Internet's share of voting rights amounted to 25.10% as of December 31, 2015. Via its ADITION brand also an adserving supplier of United Internet portals, virtual minds generated a positive result once again in its fiscal year 2015.

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

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

In February 2014, United Internet acquired a stake of 25.10% in ePages GmbH (main activity: e-shop solutions). In addition to the equity stake, ePages and United Internet's subsidiary 1&1 Internet SE agreed a long-term cooperation contract for the use of ePages solutions. As part of this cooperation, there is a joint technology platform for 1&1 E-Shops. ePages posted a further positive result in its fiscal year 2015.

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

Share and dividend

Share

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

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

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

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

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

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

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

Share data

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

Shareholder structure

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

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

Dividend

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

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

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

Dividend development

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

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

Annual Shareholders' Meeting 2015

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

Capital stock and treasury shares

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

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

Investor Relations

In fiscal 2015, the Management Board and Investor Relations department of United Internet AG once again provided institutional and private investors with regular and comprehensive information. Information was provided to the capital market via the quarterly and annual reports, as well as at press and analyst conferences. The company's management and Investor Relations department explained the company's strategy and financial results in numerous one-on-one discussions at the company's offices in Montabaur, as well as at roadshows and conferences in Germany, Belgium, Denmark, France, the UK, the Netherlands, Sweden Switzerland, Spain, and the USA. Around 20 national and international investment banks are in contact with the company's Investor Relations department and publish regular studies and comments on the company's progress and share performance. Apart from such one-on-one meetings, shareholders and potential future investors can also receive the latest news on the company around the clock via the company's website (www.united-internet.de).

2.3 POSITION OF THE GROUP

Group’s earnings position

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

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

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

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

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

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

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

Development of key cost items
(in € million)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Group’s financial position

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

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

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

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

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

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

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

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

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

Group's asset position

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

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

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

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

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

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

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

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

Development of relative indebtedness

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

(1) 2014: increase in net bank liabilities mainly due to Versatel acquisition, Rocket investment and closing-date effects from capital gains tax payment

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

(3) Free cash flow = net cash inflows from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment; free cash flow 2014 and 2015 without consideration of closing-date effects from capital gains tax payment of € 335.7 million (2014) and a capital gains tax refund (net) of € 242.7 million (2015)

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

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

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

(1) Repurchase of Versatel shares via Versatel's holding company (2012); decrease due to contribution of the GFC and EFF funds to Rocket and complete takeover of Versatel (2014); increase due to investment in Drillisch (2015)
(2) Increase due to investment in Rocket (2014), decrease due to sale of Goldbach shares and subsequent valuation on shares in listed companies (2015)
(3) Increase due to complete takeover of Versatel (2014)
(4) Decrease due to impairment charges for Sedo Holding (2012); increase due to Arsys acquisition (2013); increase due to complete takeover of Versatel (2014); increase due to acquisition of home.pl
(5) Decrease due to repayment of loans (2012); increase due to Rocket investment and takeover of Versatel (2014); increase due to increased stake in Rocket, Drillisch investment, and acquisition of home.pl
(6) Decrease due to share cancellations (2013); increase due to capital increase (2014)
(7) Increase due to capital increase (2014)

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

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

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

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

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

The financial position of United Internet AG remained strong in fiscal year 2015. At € 400.5 million, free cash flow was still at a high level (prior year: € 386.6 million). This once again underlines the Group’s ability to generate very healthy levels of cash while at the same time achieving strong qualitative growth.

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

All in all, the Management Board believes that the United Internet Group is well placed for its further corporate development, with a positive financial position and performance – subject to possible special items – and is optimistic about its future prospects.

2.4 POSITION OF THE COMPANY

Earnings of United Internet AG

As a pure holding company, the earnings position of United Internet AG is dominated by its investment and financial result. As a result of the corporate restructuring commenced in the previous year and continued in the reporting period, the investment result and the company's earnings position are only comparable with the prior-year figures to a limited extent.

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

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

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

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

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

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

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

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

Assets and financial position of United Internet AG

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

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

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

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

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

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

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

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

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

2.5 SIGNIFICANT NON-FINANCIAL PERFORMANCE INDICATORS

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

Sustainable business policy

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

Customer growth

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

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

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

Development of customer relationships
(in million)

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

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

Service quality, customer retention and customer satisfaction

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

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

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

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

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

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

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

Product and network quality

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

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

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

Security and data privacy

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

As of April 29, 2014, only SSL keys certified in Germany are used within the “E-Mail made in Germany” network and all transmission routes are fully encrypted.

As an important enhancement of the security standard “E-Mail made in Germany”, the United Internet e-mail services GMX and WEB.DE developed an encryption system based on the globally recognized “Pretty Good Privacy” (PGP) standard in 2015. The new e-mail security level works on all commonly used devices, is provided free to all customers of the two mail services, and is compatible with all previous PGP applications.

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

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

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

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

Employees

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

United Internet AG was once again recognized as a top employer in 2015. Based on an independent study of the "Top Employers Institute", United Internet received the "TOP Employers Germany" award – as in the preceding years. Certification is only awarded to organizations which offer staff attractive working conditions. Assessment is based on career opportunities, employer benefits, working conditions, training and development opportunities, and the corporate culture.

Headcount and key figures

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

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

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

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

Headcount development (by segment and domestic/foreign)

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

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

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

Development of personnel expenses
(in € million)

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

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

Targeted staff support and ongoing development

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

The company attaches great importance to giving employees at all locations – regardless of departments and functions – the same opportunities for development. A transparent, group-wide framework for staff development was therefore defined from an early stage. The range comprises standard programs and support measures, as well as various function-based offerings which are tailored to the respective employee and skills profile. Specifically, this involves a gradual assumption of responsibility and an expansion of competencies within the specific field of work function – from beginner to expert. Staff are supported both in their daily work (“on the job”) as well as with targeted training measures. In addition to vertical development paths, horizontal development is also possible between different functions. In addition, the organization’s permeability allows transfers between products or segments and thus enables the interdisciplinary development of employees.

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

Discovering and nurturing potential and performance from an early stage

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

Further development programs are offered for staff with exceptional abilities and potential in all areas of the company. Such employees are then accompanied through a structured program of individual development and training plans in order to prepare them for their future personal challenges, and those of the company (MyWay+ for staff and 1&1 MOVE for management and experts).

Specialist training by colleagues for colleagues

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

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

Training held in high regard

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

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

Over 150 young people were serving their apprenticeships with Group companies at year-end 2015. After successfully passing their examinations, United Internet endeavors to take on as many apprentices as possible and to make an attractive job offer to every graduate. In fiscal year 2015, 25 apprentices were given full-time jobs.

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

Diversity

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

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

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

Employees by gender

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

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

Employee age profile

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

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

Employees by country

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

Green IT

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

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

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

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

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

Social responsibility

“United Internet for UNICEF” foundation

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

We carefully select projects from the wide range of UNICEF topics and present them on the high-reach portals of the United Internet Group (1&1, GMX und WEB.DE) in order to attract as many donors as possible – for the particular project or as long-term UNICEF sponsors.

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

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

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

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

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

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

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

As a result of the foundation's appeals, a further € 3.7 million could be handed over to UNICEF in the fiscal year 2015 (prior year: € 2.4 million).

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

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

“1&1 Welcome” and “We Together” initiative

In addition to the “United Internet for UNICEF” foundation, the United Internet Group is active in various activities to promote the sustainable integration of refugees in Germany on the three levels which typify United Internet: with its employees, as an employer and via the company’s products.

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

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

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

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

3 SUBSEQUENT EVENTS

United Internet becomes largest shareholder of Tele Columbus AG

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

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

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

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

Share price of Rocket Internet SE

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

Apart from these items, there were no other significant events subsequent to the end of the reporting period on December 31, 2015 which had a material effect on the financial position and performance or the accounting and reporting of the parent company or the Group.

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

4 RISK, OPPORTUNITY AND FORECAST REPORT

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

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

4.1 RISK REPORT

Risk management

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

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

Methods and objectives of risk management

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

The current status of the main risks is communicated to the Management Board and Supervisory Board four times per year. Identified important risks with an immediate impact or significant changes in the risk situation trigger an ad-hoc reporting obligation. The respective risk is then communicated immediately to the CFO of United Internet AG, who in turn reports it to the Supervisory Board where necessary. In this way, significant risks can be addressed as quickly as possible. In order to support the centralized risk management system, additional local risk managers have been installed with monthly reporting in business fields of particular importance for the Group's business success (such as the areas "Technology &

Development"). In order to facilitate the group-wide exchange and comparison of risk information, these local risk managers meet with the Group's central risk management team and – for cross-company issues – with the company-wide, cross-functional managers at regular Risk Manager Meetings. The risk management system established by United Internet AG only documents recognized risks. Risks are assessed with their net impact, i.e. effects from mitigating (corrective) measures are only considered in the risk assessment after implementation.

Risks for United Internet

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

Strategy

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

Market

Competition

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

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

Business development and innovations

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

Legal & political

Regulation

In the Access segment, the decisions of the German Federal Network Agency and Federal Cartel Office have an influence on the pricing of internet access tariffs. Price increases of network providers from whom United Internet purchases pre-services for its own customers can have a negative impact on the profitability of tariffs. In the same way, there is also the possibility that a lack of regulation may lead to a deterioration of market circumstances for United Internet. United Internet attempts to counter this tendency toward an increasing regulation risk by cooperating with various pre-service providers and by actively participating in the activities of industry associations. With its complete takeover of Versatel on October 1, 2014, United Internet now also has its own network. This network infrastructure gives United Internet the possibility to gradually expand its vertical integration procure fewer internally produced DSL pre-services.

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

Data protection

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

Litigation

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

Personnel

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

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

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

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

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

Fraud

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

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

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

Provision of services

Threat potential of the internet

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

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

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

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

Complexity and possible manipulation of hardware and software used

United Internet’s products and related business processes are based on a complex technical infrastructure and a number of success-critical software systems (servers, customer relationship databases and statistics systems etc.). Constantly adapting this infrastructure to changing customer needs leads to greater complexity and regular changes. In addition to major events like the migration of databases, this may lead to various disruptions or defects.

Should this affect our business systems or their databases, for example, daily account debiting may be delayed or no longer possible. Should this affect our performance systems, for example, United Internet may not be able to provide its customers with the promised service, on a temporary or longer-term basis. The company meets these risks by making targeted adjustments to the architecture, introducing quality assurance measures, and establishing spatially separated (geo-redundant) core functionalities.

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

Complexity in development

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

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

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

Additional disclosures on risks, financial instruments and financial risk management

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

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

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

Liquidity

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

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

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

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

Financial Covenants

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

Financial market

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

- Interest

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

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

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

- Currency

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

- Stock exchange prices (valuation risk)

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

Capital management

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

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

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

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

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

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

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

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

Probability of occurrence / possible impact of company risks

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

(1) Previously included under Regulation

Assessment categories of company risks in ascending order

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

4.2 OPPORTUNITY REPORT

Opportunity management

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

Opportunities for United Internet

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

Broad strategic positioning in growth markets

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

Participation in market growth

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

Expansion of market positions

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

Entry into new business fields

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

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

Own infrastructure

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

In addition, having its own network also offers United Internet the opportunity to use the Versatel brand to enter the B2B data and infrastructure business with SMEs and large corporations. This scale of this opportunity is underlined by the fast-growing data consumption of private users and companies (according to Dialog Consult / VATM figures: +19.5% data volume consumption per broadband connection and month in 2015) and the considerable pent-up demand for direct fiber-optic connections in Germany. According to the latest OECD survey (December 2014), only 1.2% of all broadband connections in Germany are fiber-optic connections. Germany thus lags well behind in 29th place among the 34 OECD countries.

Internationalization

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

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

Acquisitions and investments

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

United Internet has enhanced its market standing in Germany and abroad, for example, by making several acquisitions and strategic investments while gaining considerable expertise in the field of mergers and acquisitions (M&A) and company integration. The most important M&A activities of recent years include the acquisition of WEB.DE’s portal business (in 2005), the acquisitions of Fasthosts (2006) and united-domains (2008), the acquisition of freenet’s DSL business (2009) and the acquisitions of mail.com (2010), Arsys (2013), Versatel (2014) and home.pl (2015). The most important strategic investments include the investments in virtual minds (2008), ProfitBricks (2010), Open-Xchange (2013), ePages (2014), uberall (2014), Rocket Internet (2014) and Drillisch (2015).

4.3 FORECAST REPORT

Expectations for the economy

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

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

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

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

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

The IMF anticipates growth in the **eurozone** to reach 1.7% in both 2016 and 2017 – compared to 1.5% in 2015. The IMF has thus upgraded its forecast for 2016 slightly by 0.1 percentage points and left 2017 unchanged.

The IMF expects diverging economic trends in United Internet's main European markets (France, Spain, Italy and the non-euro country UK). Following growth of 1.1% in **France** in 2015, the IMF expects growth of just 1.3% in 2016 and 1.5% in 2017 (and thus 0.2 and 0.1 percentage points less than before). By contrast, **Spain** is expected to grow by 2.7% and 2.3% in 2016 and 2017, respectively (and thus 0.2 and 0.1 percentage points more than previously forecast), after recording growth of 3.2% in 2015. The economic trend in **Italy**, however, is likely to be largely as predicted: following growth of 0.8% in 2015, the IMF continues to forecast growth of 1.3% for 2016 and 1.2% for 2017. After growing by 2.2% in 2015, the IMF forecasts identical growth for the **UK** in 2016 and 2017 of 2.2%. This is also in line with previous forecasts.

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

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

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

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

Market / sector expectations

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

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

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

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

(Stationary) broadband market in Germany

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

According to the survey "German Entertainment and Media Outlook 2015-2019" (December 2015), PricewaterhouseCoopers expects sales of landline broadband connections to increase by 1.4% to € 8.03 billion in 2016.

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

	2016e	2015	Change
Sales	8.03	7.92	+ 1.4%

Source: PricewaterhouseCoopers

Mobile internet market in Germany

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

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

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

	2016e	2015	Change
Sales	7.62	6.95	+ 9.6%

Source: PricewaterhouseCoopers

Cloud computing market

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

Market forecast: global cloud computing
(in $ billion)

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

Source: Gartner

Online advertising market in Germany

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

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

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

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

Source: PricewaterhouseCoopers

Expectations for the company

Focus areas in fiscal year 2016

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

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

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

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

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

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

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

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

Forecast for fiscal year 2016

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

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

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

Due to its role as a holding company, the earnings of United Internet AG at parent company level are mainly influenced by its investment result. The key drivers of this result are the profit transfer agreements with 1&1 Telecommunication SE, 1&1 Mail & Media Applications SE and United Internet Ventures AG. Subject to possible special items, earnings before taxes are likely to be on a par with the previous year.

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

Management Board's overall statement on the anticipated development

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

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

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

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

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

Following a successful start to the year (at the time of preparing this Management Report), the company’s Management Board believes that the company is on track to reach its forecasts for the full year 2016 – as presented in the table below.

Full-year 2016 forecast for United Internet AG

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

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

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

Forward-looking statements

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

5 ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

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

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

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

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

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

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

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

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

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

6 DISCLOSURES REQUIRED BY TAKEOVER LAW

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

Composition of capital

The subscribed capital of United Internet AG as of December 31, 2015 amounts to € 205,000,000 divided into 205,000,000 no-par value, registered shares. Each share entitles the owner to one vote. There are no other share categories. In the case of a capital increase, the commencement of dividend entitlement for new shares may be determined separately from the moment of contribution. All shares are listed on the stock exchange.

Limitations affecting voting rights or the transfer of shares

There are legal limitations affecting voting rights of certain shares pursuant to Sec. 71b AktG and Sec. 71d S. 4 in conjunction with Sec. 71b AktG. At the end of the reporting period, United Internet holds 917,859 shares representing 0.45% of capital stock.

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

Among the members of the Management Board, Mr. Ralph Dommermuth holds 82,000,000 shares (40.00% of capital stock) as of December 31, 2015. Moreover, Mr. Robert Hoffmann holds 100,000 shares (0.05% of capital stock), Mr. Jan Oetjen holds 14,033 shares (0.01% of capital stock), Mr. Martin Witt holds 3,139 shares (0.00% of capital stock), and Mr. Frank Krause holds 920 shares (0.00% of capital stock).

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

There are no limitations affecting the transfer of shares.

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

The company’s CEO, Mr. Ralph Dommermuth, owns 82,000,000 shares or 40.00% of the 205,000,000 shares in United Internet AG as of December 31, 2015. The Management Board is not aware of further participations in capital exceeding 10% of voting rights.

Special rights

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

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

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

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

Powers of the Management Board to issue shares

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

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

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

Powers of the Management Board to buy back shares

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

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

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

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

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

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

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

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

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

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

7 DECLARATION ON COMPANY MANAGEMENT / CORPORATE GOVERNANCE REPORT

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

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

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

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

Management and corporate structure

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

Supervisory Board

Working procedures of the Supervisory Board

The Supervisory Board is elected by the Annual Shareholders' Meeting and consisted of three members in fiscal year 2015. The members of the Supervisory Board are generally elected for a period of five years.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In view of

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

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

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

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

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

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

Current composition of the Supervisory Board

The Supervisory Board re-elected by the Annual Shareholders' Meeting 2015 continued to comprise the members Kurt Dobitsch (Chairman), Michael Scheeren (Deputy Chairman) and Kai-Uwe Ricke in fiscal year 2015. Subject to the formation of short fiscal years, the current term of office of the Supervisory Board members ends on expiry of the Annual Shareholders' Meeting of the year 2020.

Management Board

Working procedures of the Management Board

The Management Board is the body charged with managing the group's operations. In fiscal year 2015, it consisted of five persons. The Management Board conducts operations in accordance with its legal and statutory obligations as well as the rules of procedure approved by the Supervisory Board and the corresponding recommendations of the German Corporate Governance Code – unless deviations are declared pursuant to Sec. 161 AktG.

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

Decisions of fundamental importance require the approval of the Supervisory Board. The Management Board reports to the Supervisory Board in accordance with the statutory provisions of Sec. 90 AktG and provides the Chairman of the Supervisory Board at least once a month with an oral overview – and at the request of the Chairman of the Supervisory Board also in writing – of the current status of relevant reporting items pursuant to Sec. 90a AktG. The Chairman of the Supervisory Board is thus informed without delay by the Chairman or Speaker of the Management Board, or the Chief Financial Officer, about important events that are essential for assessing the company's situation and development, as well as for the management of the company. Important items also include any substantial deviation from the budget or other forecasts of the company. The Chairman or Speaker of the Management Board, or Chief Financial Officer, shall also inform the Chairman of the Supervisory Board, in advance where possible otherwise immediately thereafter, about all ad hoc announcements of the company pursuant to Sec. 15 WpHG.

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

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

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

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

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

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

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

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

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

Current composition of the Management Board

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

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

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

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

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

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

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

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

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

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

After careful examination, the Supervisory Board and Management Board of United Internet AG adopted the following based on a resolution of August 12, 2015:

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

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

- For the reference period (until June 30, 2017), a target of “0” is set for the Management Board. The Management Board also currently comprises only men. No personnel changes or expansion of the Management Board are planned or envisaged. The Supervisory Board believes that the government’s aim to raise the share of women is subordinate to the interests of the company to continue the successful work conducted by experienced Management Board members and a Management Board size which is tailored to the needs of the company.
- With regard to the share of women on the Supervisory Board and Management Board, the Supervisory Board reserves the right to resolve again on the target within the reference period should there be any indication of a new appointment during the reference period.
- No target has been set for the first and second management levels as United Internet AG does not have any management levels below the Management Board due to its holding structure.

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

Annual Shareholders' Meeting

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

Compliance

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

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

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

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

The Compliance Organization is part of an holistic risk management system which not only includes the "GRC" functions Corporate Governance, Risk Management & Compliance, but also the Corporate Audit and Legal Department. As of January 1, 2015, these risk-mitigating functions are headed by the Group General Counsel, who reports directly to the CFO of United Internet AG.

The Compliance Organization is responsible for the creation of suitable structures and processes to support the implementation of compliance throughout the company and to efficiently introduce measures. The compliance organization present and anchored in the business units via functional and local Compliance Managers (FCMs and LCMs). In addition to their normal functions, the FCMs and LCMs support the area of compliance.

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

Financial disclosures / transparency

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

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

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

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

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

Accounting and auditing

The Group’s accounts are drawn up according to the principles of the International Financial Reporting Standards (IFRS, as applicable in the EU) with consideration of Sec. 315a HGB. However, the annual financial statements of the parent company – relevant for all dividend and tax matters – are drawn up according to the rules of the German Commercial Code (HGB). The annual financial statements and the consolidated financial statements are audited by independent auditors. The respective auditing company is selected by the Annual Shareholders' Meeting. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, was elected to audit the annual financial statements for the fiscal year 2015. The Supervisory Board issues the auditing mandate, determines auditing focal points, approves the auditing fee and examines the independence of the auditors.

Remuneration of Management Board and Supervisory Board

The principles of remuneration for the Management Board and Supervisory Board are presented in section 8 of this Management Report. The disclosure of remuneration for members of the Management Board and Supervisory Board, according to person and its fixed and variable components (in line with legal regulations and the recommendations of the German Corporate Governance Code), is to be found in the Remuneration Report and section 40 of the notes to the consolidated financial statements.

Stock option plans

The principles of the stock-based compensation plan of United Internet AG are described in the Remuneration Report in section 8 of this Management Report. Further details are provided in section 35 of the notes to the consolidated financial statements.

Directors’ Dealings

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

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

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

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

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

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

Shareholdings of Management Board and Supervisory Board members

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

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

The corporate governance of United Internet is based on the German Corporate Governance Code, which the Government Commission set up by the Federal Justice Minister in September 2001 published for the first time on February 26, 2002. The 13th and currently valid version of the German Corporate Governance Code was completed on May 5, 2015 and published by the Ministry of Justice in the Federal Gazette (http://www.bundesanzeiger.de) on June 12, 2015.

The Code contains three types of standard:

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

German corporations are obliged to observe the legal regulations.

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

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

On March 5, 2016, the Management Board and Supervisory Board of United Internet AG submitted their current annual declaration of conformity (presented below) in accordance with Sec. 161 AktG and immediately published it on the company's website (www.united-internet.de), as well as in the Federal Gazette.

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

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

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

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

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

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

Formation of committees
(section 5.3 of the Code)

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

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

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

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

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

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

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

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

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

8 REMUNERATION REPORT

Principles of the Management Board remuneration system

The Supervisory Board is responsible for determining the remuneration of Management Board members. The total compensation of individual members of the Management Board is determined by the Supervisory Board based on a performance assessment, taking into account any payments made by Group companies. Criteria for determining the appropriateness of remuneration are based on the responsibilities of the individual Management Board member, their personal performance, the economic situation, the performance and outlook of the company, as well as a review of the comparability of compensation with peer companies and the remuneration structure in place in other areas of the company. The size of the remuneration components is regularly reviewed, whereby the Supervisory Board also takes account of Management Board remuneration in relation to compensation for senior management and the workforce of United Internet AG as a whole over time.

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

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

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

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

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

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

For the duration of the 12-month prohibition to compete on termination of the service contract, the respective Management Board member receives compensation up to the amount of their fixed remuneration. Mr. Lang waived his claims arising from this post-service prohibition to compete.

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

Value of benefits granted for the reporting period

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

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

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

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

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

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

(3) The Management Board members Jan Oetjen and Martin Witt received their compensation for 2014 and 2015 via subsidiaries of United Internet AG

Allocation for the reporting period

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

Allocation (in €k)	Ralph Dommermuth		Norbert Lang[1]		Frank Krause[2]		Robert Hoffmann		Jan Oetjen[3]		Martin Witt[3]	
	CEO		CFO		CFO		Business Applications		Consumer Applications		Access	
	Since 2000		Until June 30, 2015		Since June 1, 2015		Since January 1, 2013		Since October 1, 2014		Since October 1, 2014	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Fixed compensation	300	300	150	300	210		300	300	300	292	300	275
Fringe benefits	0	0	11	20	106		12	11	13	12	12	12
Total	300	300	151	320	316		312	311	313	304	312	287
One-year variable compensation	240	247	95	196	82		130	200	207	242	201	175
Multi-year variable compensation				1,104			4,917	2,246	896	1,172	722	320
SAR program E 2009 (6 years)				1,104						276		
SAR program F 2009 (6 years)								1,344				
SAR program I 2010 (6 years)									896	896		
SAR program A 2011 (6 years)											121	121
SAR program B 2011 (6 years)							902	902				
SAR program F 2012 (6 years)											199	199
SAR program H 2012 (6 years)							4,015				402	
Other												
Total	540	547	246	1,620	398		5,359	2,757	1,416	1,718	1,235	782
Service cost												
Total compensation	540	547	246	1,620	398		5,359	2,757	1,416	1,718	1,235	782

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

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

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

In the IFRS consolidated financial statements of the United Internet Group, the following expenses were recognized for share-based payments to Management Board members: Mr. Ralph Dommermuth (€ 0k, prior year: € 0k), Mr. Robert Hoffmann (€ 464k, prior year: € 778k), Mr. Norbert Lang (€ 0k, prior year: € 11k), Mr. Frank Krause (€ 191k, prior year: € 0k), Mr. Jan Oetjen (€ 458k, prior year: € 350k) and Mr. Martin Witt (€ 523k, prior year: € 433k).

Principles of the Supervisory Board remuneration system

The 3 members of the Supervisory Board of United Internet AG also form the supervisory board of the most important subsidiaries, i.e. the sub-groups 1&1 Telecommunication SE, 1&1 Internet SE and 1&1 Mail & Media Applications SE, as well as United Internet Ventures AG. The Supervisory Board members each receive separate compensation for their work on behalf of the companies mentioned. In each case, this compensation consists of a fixed element and an attendance fee.

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

In the course of their duties for 1&1 Telecommunication SE, the fixed remuneration component for an ordinary member of the Supervisory Board is € 50,000 per full fiscal year, for the Deputy Chairman of the Supervisory Board € 55,000 per full fiscal year and for the Chairman of the Supervisory Board € 60,000 per full fiscal year. In addition, each member of the Supervisory Board receives a payment of € 1,000 for each meeting they attend in person, or via telephone, video conference or corresponding connection.

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

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

In the course of their duties for United Internet Ventures AG, the fixed remuneration component for an ordinary member and the Deputy Chairman of the Supervisory Board is € 10,000 each per full fiscal year, and for the Chairman of the Supervisory Board € 15,000 per full fiscal year. In addition, each member of the Supervisory Board receives a payment of € 1,000 for each meeting they attend in person, or via telephone, video conference or corresponding connection.

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

Stock-based compensation

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

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

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

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

Detailed information on stock-based compensation is provided in section 35 of the notes to the consolidated financial statements.

9 DEPENDENT COMPANY REPORT

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

Montabaur, March 11, 2016

The Management Board

Ralph Dommermuth Robert Hoffmann Frank Krause Jan Oetjen Martin Witt

Consolidated Annual Financial Statements

acc. to IFRS

as at
December 31, 2015

United Internet AG, Montabaur - Consolidated balance sheet acc. to IFRS as of December 31, 2015 in €k

ASSETS	Notes	December 31, 2015	December 31, 2014
Current assets			
Cash and cash equivalents	17	84,261	50,829
Trade accounts receivable	18	218,074	193,142
Inventories	19	42,509	42,630
Prepaid expenses	20	82,633	66,627
Other financial assets	21.1	22,840	13,444
Other non-financial assets	21 2	114,575	377,474
		564,892	744,146
Non-current assets			
Shares in associated companies	22	468,366	34,932
Other financial assets	23	448,959	695,287
Property, plant and equipment	24	665,195	689,302
Intangible assets	25	344,033	385,474
Goodwill	26	1,137,795	977,043
Trade accounts receivable	18	37,431	23,506
Prepaid expenses	28	102,438	37,097
Deferred tax assets	14	108,512	86,638
		3 312 729	2 929 279
Total assets		**3,877,621**	**3,673,425**
LIABILITIES			
Current liabilities			
Trade accounts payable	29	395,862	356,141
Liabilities due to banks	30	29,332	30,061
Advance payments received		15,084	11,766
Income taxes liabilities	31	129,586	139,246
Deferred revenue	32	233,036	210,586
Other accrued liabilities	33	23,835	12,561
Other financial liabilities	34.1	105,445	94,817
Other non-financial liabilities	34 2	36,805	32,378
		968,985	887,556
Non-current liabilities			
Liabilities due to banks	30	1,507,170	1,343,941
Deferred tax liabilities	14	89,080	73,576
Trade accounts payable	29	4,042	4,193
Deferred revenue	32	26,856	24,295
Other accrued liabilities	33	36,209	35,894
Other financial liabilities	34 3	95,521	99,241
		1,758,878	1,581,140
Total liabilities		**2,727,863**	**2,468,696**
Equity			
Capital stock	36	205,000	205,000
Additional paid-in capital	37	372,203	369,353
Accumulated profit	37	695,799	460,671
Treasury stock	36	-26,318	-35,335
Revaluation reserves	37	-96,021	216,745
Currency translation adjustment	37	-1,443	-12,446
Equity attributable to shareholders of the parent company		**1,149,220**	**1,203,988**
Non-controlling interests	38	538	741
Total equity		**1,149,758**	**1,204,729**
Total liabilities and equity		**3,877,621**	**3,673,425**

United Internet AG, Montabaur - Statement of comprehensive income acc. to IFRS
from January 1, 2015 to December 31, 2015 in €k

	Notes	2015 January - December	2014 January - December
Sales	5	3,715,680	3,064,962
Cost of sales	6, 10, 11	-2,437,225	-2,034,486
Gross profit		**1,278,455**	**1,030,476**
Selling expenses	7, 10, 11	-557,220	-481,292
General and administrative expenses	8, 10, 11	-182,245	-136,904
Other operating expenses	9.1	-69,778	-39,954
Other operating income	9.2	86,505	244,374
Operating result		**555,717**	**616,700**
Financial expenses	12	-27,139	-29,499
Financial income	13	13,129	4,294
Amortization of financial assets	23	-5,317	-705
Result from associated companies	22	-1,293	-11,862
Pre-tax result		**535,097**	**578,928**
Income taxes	14	-168,518	-131,504
Net income before non-controlling interests		**366,579**	**447,424**
Attributable to			
non-controlling interests		174	300
shareholders of United Internet AG		366,405	447,124
Result per share of shareholders of United Internet AG (in €)			
- basic	15	1.80	2.28
- diluted	15	1.79	2.26
Weighted average shares (in million units)			
- basic	15	203.92	196.42
- diluted	15	205.20	197.80
Statement of comprehensive income			
Net income		366,579	447,424
Items that may be reclassified subsequently to profit or loss			
Currency translation adjustment - unrealized		11,003	7,252
Market value changes of available-for-sale financial instruments after taxes - unrealized	23	-313,403	210,841
Tax effect	23	3,102	-3,170
Market value changes of available for sale financial instruments after taxes - realized	23	-2,519	0
Tax effect	23	54	0
Change in cash flow hedge reserve after taxes - unrealized	23	0	7,682
Tax effect	23	0	-2,306
Other comprehensive income		-301,763	220,299
Total comprehensive income		**64,816**	**667,723**
Attributable to			
non-controlling interests		174	300
shareholders of United Internet AG		64,642	667,423

United Internet AG, Montabaur - Consolidated Cash Flow Statement acc. to IFRS
from January 1, 2015 to December 31, 2015 in €k

	Notes	2015 January - December	2014 January - December
Cash flow from operating activities			
Net income		366,579	447,424
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amor iza ion of intangible assets and property, plant and equipment	10	168,742	102,674
Amortiza ion of intangible assets resulting from company acquisi ions	10	46,723	18,212
Amortiza ion of financial assets	23	5,317	705
Share-based payment expense	35	2,850	3,222
Share of profit of associated companies	22	1,293	11,862
Dividends received from associated companies	22	100	331
Income from disposal of associated companies	9.2, 22	-8,388	-118,523
Income from contribution of associated companies	9.2, 22	0	-75,802
Income from disposal of financial assest	9.1	-5,569	0
Loss from disposal of associated companies	9.2	0	884
Change in deferred taxes	14	-3,762	-15,675
Other non-tax items from tax adjustments	14	0	3,930
Losses arising from derecognition of intangible assets and property, plant and equipment	9.1, 9.2	896	0
Other non-cash items		-20,870	129
Other adjustments		553	1,190
Operative cash flow		**554,464**	**380,563**
Change in assets and liabilities			
Change in receivables and o her assets		-23,175	-34,905
Change in inventories		121	1,921
Change in deferred expenses		-76,571	-27,619
Change in trade accounts payable		38,083	28,207
Change in advance payments received		3,170	-572
Change in other accrued liabilities		11,589	3,873
Change in accrued income taxes		-10,049	98,643
Change in other liabili ies		22,148	-15,795
Change in deferred income		13,424	19,681
Change in assets and liabilities, total		**-21,260**	**73,434**
Cash flow from operating activities (before other tax payments)		**533,204**	**453,997**
Capital gains tax refund	44	326,013	0
Capital gains tax payment	44	-83,345	-335,694
Cash flow from operating activities		**775,872**	**118,303**
Cash flow from investing activities			
Capital expenditure for intangible assets and property, plant and equipment		-140,442	-72,310
Payments from disposals of intangible assets and property, plant and equipment		7,732	4,886
Purchase of shares in affiliated companies less cash received	4	-154,483	-942,233
Purchase of shares in associated companies	4.2, 22, 44	-417,821	-23,065
Refunding from shares in associated companies		0	7,817
Investments in other financial assets	23, 44	-93,885	-334,719
Payments for loans granted	40	-1,141	-2,184
Payments from loans granted		250	10,835
Payments from the disposal of at-equity companies	4.2, 22	13,303	0
Payments from the disposal of financial assets	4.2, 23	18,165	0
Refunding from other financial assets	23	2,283	1,162
Cash flow from investment activities		**-766,039**	**-1,349,811**
Cash flow from financing activities			
Capital increase	36	0	348,327
Purchase of treasury stock	36	0	-38,795
Taking out of loans	30	191,411	1,846,960
Repayment of loans	30	-30,000	-813,000
Redemption of finance lease liabilities		-15,721	-3,939
Dividend payments	16	-122,260	-77,304
Dividend payments to non-controlling interests		-377	-1,359
Purchase of fur her shares in affiliated companies		0	-19,992
Cash flow from financing activities		**23,053**	**1,240,898**
Net increase in cash and cash equivalents		32 886	9 390
Cash and cash equivalents at beginning of fiscal year		50,829	42,775
Currency translation adjustments of cash and cash equivalents		546	-1,336
Cash and cash equivalents at end of fiscal year		**84,261**	**50,829**

United Internet AG, Montabaur - Consolidated Statement of Changes in Shareholders' Equity acc. to IFRS
from January 1, 2015 to December 31, 2015

	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
	Share	€k	€k	€k	Share	€k	€k	€k	€k	€k	€k	€k
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		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 owners				-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
Balance as of January 1, 2015	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
Net income				366,405						366,405	174	366,579
Other comprehensive income							-312 766		11 003	-301 763		-301 763
Total comprehensive income				366,405			-312,766	0	11,003	64,642	174	64,816
Issue of treasury shares				-9,017	-314,479	9,017				0		0
Employee stock ownership program			2,850							2,850		2,850
Dividend payments				-122,260						-122,260		-122,260
Change in amount of holdings										0	0	0
Balance as of December 31, 2015	205 000 000	205 000	372 203	695 799	917 859	-26 318	-96 021	0	-1 443	1 149 220	538	1 149 758

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

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 (landline 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, 2015.

The Supervisory Board approved the consolidated financial statements for 2014 at its meeting on March 25, 2015. The consolidated financial statements were published in the German Federal Gazette (“Bundesanzeiger”) on May 6, 2015.

The consolidated financial statements for 2015 were prepared by the Company’s Management Board on March 11, 2016 and subsequently submitted to the Supervisory Board. The consolidated financial statements will be presented to the Supervisory Board for approval on March 16, 2016. 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 17, 2016.

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 financial statement 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 consolidated statement of comprehensive income 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:

<u>Access segment</u>

The Access segment mainly comprises the product lines DSL connections and 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. 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), and proceeds from the sale of the respective hardware.

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 various telecommunication products for business and wholesale customers. In addition to the provision of classic landline connections (DSL and ISDN), telecommunication services comprise broadband services, network solutions as telecommunications infrastructure (so-called leased lines) or VPNs, value-added services, interconnection and IP services. Certain products are provided on a leasing basis. In the case of such leases, the present value of the minimum lease payments from this economic sale is recognized as revenue from the beginning of the lease term if all material risks and rewards are transferred to the lessee; in subsequent accounting for the finance lease receivables, interest income is recognized in subsequent periods. The leased assets are derecognized through cost of sales. Provision fees are deferred over the lease term.

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 such as set-up services, SMS charges, and income from affiliate programs are also generated.

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 generally 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 when the service is rendered. 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	
	31.12.15	31.12.14	2015	2014
US dollar	1.087	1.214	1.110	1.329
UK pound	0.734	0.779	0.726	0.806

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
Buildings	10 or 50
Vehicles	5 to 6
Telecommunication equipment	7 to 10
Distribution networks	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 limited 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 limited 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.

<u>Available-for-sale financial assets</u> 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 of this financial asset is reclassified to 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.

A significant decrease is assumed if the decline in fair value of an equity instrument at the end of the reporting period is more than 25% below its average cost. From the Group's perspective, a persistent decrease is when the decline in fair value is more than 20% for longer than 6 months, or more than 10% for longer than 12 months. This does not apply if the prevailing circumstances and situation in exceptional cases clearly indicate that there is no impairment.

If an impairment is recognized for an available-for-sale financial asset, all further declines in the fair value in subsequent periods must also be recognized as impairments. Consequently, in the case of available-for-sale financial assets, an impairment charge equal to the difference between the fair value and the original costs less impairment charges of previous periods must be recognized at the end of each reporting period.

Impairment charges recognized in profit or loss for available-for-sale equity instruments may not be reversed in profit or loss, but are reclassified from equity to the income statement as soon as the equity instrument is sold.

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 occasionally uses derivative financial instruments in order to hedge against interest and exchange rate 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 also 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 Group has a current (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 (e.g. in the case of an insurance policy), this compensation is recognized as a separate asset if the reimbursement is virtually certain. The expense from forming the provision is recognized in the income statement after deducting 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 2015:

- Annual Improvement Project 2011-2013

The new or amended standards had no significant impact on the consolidated financial statements.

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	Yes
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, 2018	No
IFRS 16	Leases	Jan. 1, 2019	No
IAS 1	Presentation of Financial Statements (amendments)	Jan. 1, 2016	Yes
IAS 16	Property, Plant and Equipment (amendments)	Jan. 1, 2016	Yes
IAS 19	Defined Benefit Plans: Employee Contributions (amendments)	July 1, 2014	Yes, as of Feb. 1, 2015
IAS 27	Separate Financial Statements	Jan. 1, 2016	Yes
IAS 28	Investments in Associates and Joint Ventures (amendments)	Jan. 1, 2016	Nein
IAS 38	Intangible Assets (amendments)	Jan. 1, 2016	Yes
Various	Annual Improvement Project 2010-2012	July 1, 2014	Yes, as of Feb. 1, 2015
Various	Annual Improvement Project 2012-2014	Jan. 1, 2016	Yes

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments which replaces IAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 combines the three project phases of accounting for financial instruments “Classification and Measurement”, “Impairment”, and “Hedge Accounting”. IFRS 9 is mandatory for the first time in fiscal years beginning on or after January 1, 2018. Earlier adoption is not permitted. Apart from Hedge Accounting, the standard is to be applied retroactively. However, the disclosure of comparative information is not required. The regulations concerning Hedge Accounting are generally to be used prospectively, with a few exceptions. 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.

IFRS 15 - Revenue from Contracts with Customers provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. The new standard replaces the existing standards IAS 18 - Revenue and IAS 11 - Construction Contracts. Application of IFRS 15 is mandatory for the first time in fiscal years beginning on or after January 1, 2018. Transition to the new standard can be either modified or completely retrospective.

The application of IFRS 15 will have a significant impact on the financial position and performance of the United Internet Group. The effects mainly concern the accounting of so-called multiple-element arrangements. Whereas under the previous regulations, revenue from sales of hardware supplies as part of a multiple-element arrangement was only recognized in the amount billed to the customer, the new regulations require a separation of the total price for the customer contract based on the relative standalone selling prices of the individual elements. The resulting revenue share allocated to hardware is recognized on delivery to the customer. As the allocated revenue share generally exceeds the amount charged to the customer, the new regulations lead to accelerated revenue recognition. At the same time, the revenue share attributable to hardware rises at the expense of revenues from the services rendered. Moreover, the new regulations require the capitalization of contract costs. Provided that certain conditions are met, the costs of contract completion (e.g. provision fees) and the costs of contract acquisition (e.g. sales commissions) must also be capitalized in future and spread over the estimated period of use. The effects of applying IFRS 15 will be analyzed as part of a Group-wide project on the implementation of the new standard. A reliable estimate of the quantitative effects is not currently possible.

The accounting standard IFRS 16 – Leases revises lease accounting and obliges lessees to disclose all leases in the balance sheet. No difference is made in future between an asset which is leased and one which is acquired on credit terms. The new regulation will lead to an increase in property, plant and equipment in the consolidated balance sheet (for right of use), and at the same time an increase in financial liabilities (due to the payment obligation). As a result, every leasing or rental arrangement is disclosed in the balance sheet. In the income statement, this leads to increased depreciation and interest expense. However, EBITDA will not improve proportionately to the increase in financial liabilities. As a consequence, the ratio of net financial liabilities to adjusted EBITDA (relative indebtedness) will deteriorate although there has been no economic change.

Leasing or rental arrangements with terms up to twelve months and low-value contracts are exempted from the recognition obligation.

In the field of operating leases, United Internet AG is predominantly a lessee at present, but is active as both lessor and lessee in the field of finance leases. The Group's operating leases mainly refer to rental obligations for network infrastructure, including subscriber lines, buildings, technical equipment and vehicles. The effects of IFRS 16 on the consolidated financial statements of United Internet AG are therefore likely to be mainly in the amount of operating lease obligations and the resulting depreciation and interest effects (see note 43).

No significant impact is 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.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost represents objective evidence of impairment. The decision on when a significant or prolonged decline has taken place requires judgment. In making this assessment, the Group considers in particular the percentage size of the decline in fair value and the duration of the decline, among other factors.

The Group holds a strategic investment in Rocket Internet SE (share of capital stock 8.31%). Since Rocket Internet SE’s IPO on October 2, 2014, the share price of this strategic investment has been strongly volatile. At the at the end of the reporting period, the share price of Rocket Internet SE was 21.5% below the Group’s average acquisition costs. On the basis of the accounting and valuation principles described in section 2, the Group does not classify the decline in value as of the end of the reporting period as significant and no impairment has thus been recognized. In this connection, there is accumulated other comprehensive income of € -106,870k for the investment in Rocket Internet SE as of December 31, 2015.

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

In order to estimate value-in-use or fair value less cost of sell, 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 listed associated companies is based on the respective share price. The recoverable amounts of non-listed companies consider both the 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, 2015, the fair value of investments in listed associated companies amounted to € 440,272k (prior year: € 0k). The fair value of investments in non-listed associated companies as of December 31, 2015 amounted to € 28,094k (prior year: € 34,932k).

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 € 255,505k as of December 31, 2015 (prior year: € 216,648k).

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 € 42,509k (prior year: € 42,630k). Please refer to note 19 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 € 888,541k as of December 31, 2015 (prior year: € 956,939k).

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 € 1,137,795k (prior year: € 977,043k). he carrying values of intangible assets resulting from business combinations (excluding goodwill) amounted to € 313,232k as of the balance sheet date (prior year: € 337,766k), while tangible assets totaled € 400,985k (prior year: € 423,174k).

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 € 60,044k as of December 31, 2015 (prior year: € 48,455k).

4. Business combinations and investments

4.1. Business combinations in fiscal year 2015

Company transactions in 2015

On December 30, 2015, 1&1 Internet SE acquired 100% of shares in home.pl S.A., Stettin (Poland). With over 300,000 customers and annual sales in 2015 of € 24,595k, the home.pl S.A. Group is the market leader in the Polish webhosting market. 1&1 Internet SE had already reached an agreement with the owners of home.pl S.A. – led by the private equity fund V4C Eastern Europe – regarding the acquisition of home.pl in July 2015. By acquiring the home.pl S.A. Group, 1&1 Internet SE aims to expand its position in the Polish market.

For the acquisition of the shares in the home.pl S.A. Group, 1&1 Internet SE paid a total amount of € 159,028k on December 30, 2015 (in cash as well as in the form of a redemption of the interest-bearing liabilities of the home.pl S.A. Group) (transferred consideration). After deducting assumed cash of € 4,545k, the Group’s net cash outlay amounted to € 154,483k. In the course of the acquisition of home.pl S.A., a subsequent adjustment of the purchase price was also agreed in the contract depending on the free cash available on the closing date. This adjustment clause may lead to a purchase price adjustment in the mid-hundred €k range.

1&1 Internet SE gained complete control over the home.pl. SA Group with effect from December 30, 2015 (acquisition date). On the same date as the redemption of the interest-bearing liabilities of the home.pl. S.A. Group totaling € 23,015k – comprising a bank and mezzanine loan – 1&1 Internet SE provided the home.pl S.A. Group with a loan. Total transaction costs of € 1,916k were expensed in the course of the business combination.

The home.pl S.A. Group was included in the consolidated financial statements of the United Internet AG for the first time as of the acquisition date. The initial consolidation of the home.pl S.A. Group was made according to IFRS 3 - Business Combinations using the acquisition method. Due to the short period of time between acquisition and the balance sheet date of December 31, 2015, the assets and liabilities of the home.pl. S.A. Group were recognized before purchase price allocation and with their carrying values, as disclosed in the IFRS Reporting Package. The following table presents an overview of the recognized assets and liabilities:

Assets	€k
Current	
Cash and cash equivalents	4,545
Trade accounts receivable	431
Prepaid expenses	4,761
Other financial assets	57
Other non-financial assets	5
Non-current	
Trade accounts receivable	18
Other financial assets	91
Prepaid expenses	15
Property, plant and equipment	1,583
Intangible assets	1,891
Deferred tax assets	1,416
	14,813
Liabilities	
Current	
Trade accounts payable	1,182
Advance payments received	148
Income tax liabilities	388
Deferred revenue	11,353
Other financial liabilities	776
Other non-financial liabilities	113
Non-current	
Trade accounts payable	292
Deferred revenue	326
Other financial liabilities	14
	14,592
Total identifiable net assets	221
Non-controlling interests	59
Preliminary goodwill from company acquisition before purchase price allocation	158,866
Transferred consideration	159,028

Due to the short period between the acquisition of the home.pl S.A. Group and the reporting date, no purchase price allocation or allocation of goodwill to the cash-generating units has yet been made. In the course of the purchase price allocation still to be completed, the transferred consideration is expected to be allocated in particular to customer relationships, brand, and goodwill.

The transferred consideration and net cash outflow comprise the following:

Transferred consideration for the acquisition of home.pl S.A.

	in €k
Cash purchase price	136,013
Assumption of financial debt	23,015
Transferred consideration	159,028

Cash flow from investing activities

	in €k
Cash purchase price	136,013
Assumption of financial debt	23,015
Less assumed cash	-4,545
Net cash outflow	154,483

If the home.pl S.A. Group had already been consolidated in the United Internet Group on January 1, 2015, sales revenues would have increased by approx. € 25 million in the reporting period of 2015, and consolidated net income would have improved by approx. € 2 million, and EBITDA by approx. € 8 million. As the effects from purchase price allocation for the acquisition of the home.pl S.A. Group could not yet be considered, the figures are based on the local IFRS reporting package of the home.pl S.A. Group.

4.2. Investments of fiscal year 2015

On April 10, 2015, United Internet sold its 898,970 shares (14.96%) in Goldbach Group AG, Küsnacht-Zurich / Switzerland, over the counter at a price of CHF 21.00 or € 20.14 per share and thus for a total of CHF 18.9 million or € 18.1 million. The share sale resulted in other operating income of € 5,569k.

On April 27, 2015, the Company announced that on that day it had contractually secured – via its subsidiary United Internet Ventures AG – the purchase of an approx. 9.1% equity stake in Drillisch AG, Maintal. Following approval by the relevant anti-trust authorities and closing of the share purchase transaction, United Internet AG had a total indirect holding of 20.7% in Drillisch AG – including shares already acquired. The acquisition costs for the total shareholding (20.7%) amounted to € 436,643k. The company has been included in the consolidated financial statements of United Internet AG as an associated company since the purchase of the 9.1% stake in Drillisch AG. Following a capital increase conducted by Drillisch AG, United Internet Ventures AG holds a stake of 20.11% in Drillisch AG.

At the end of the first half-year 2015, the listed United Internet investment Hi-Media S.A. (10.46%) span off its activities in the field of online payment to create the company HiPay Group, which it also took public. Following the transaction, United Internet also owns an 8.37% stake in HiPay. The investments are carried as other financial assets.

At the end of June 2015, the ProSiebenSat.1 Group announced that it had acquired – as the second strategic investor – a 51.00% stake in virtual minds AG (subject to the approval of the relevant anti-trust authorities). United Internet had already held a stake in this company since 2008 and will continue to hold a stake of 25.10% (previously: 48.65%) even after the investment by ProSiebenSat.1. Following approval by the anti-trust authorities, United Internet received proceeds of € 13.3 million. The sale of the shares resulted in other operating income of € 8,388k.

Rocket Internet SE resolved on a capital increase for cash contribution on February 13, 2015. The capital stock of Rocket Internet SE was raised by € 12,010k, from € 153,131k to € 165,141k. United Internet AG indirectly participated in this capital increase via UI Ventures and acquired 1,201,000 shares for a total price of € 58,849k. In this connection, the stake held by UI Ventures in Rocket Internet SE increased from 8.18% to 8.31%.

4.3. Company transactions in the previous year

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 and to raise its holding of shares in the Versatel Group to 100%. The share purchase was effected via a complete takeover of Versatel's holding company VictorianFibre Holding Beteiligungs-GmbH. The Versatel Group was thus included in the consolidated financial statements of United Internet AG as of October 1, 2014.

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 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).

Due to the short period between the acquisition and the preparation of the consolidated financial statements, the purchase price allocation in the previous year was only preliminary. The purchase price allocation completed in the reporting period results in a reduction in goodwill of € 3,172k to € 506,482k. The fall in goodwill results from an adjustment to the fair value of receivables from finance leases of € 4.6 million and a corresponding increase in deferred tax liabilities of € 1.5 million from the finalization of purchase price allocation. Goodwill mainly reflects the synergy effects with the existing Access business of the United Internet Group. During the finalization of the purchase price allocation, goodwill was thus allocated to the cash-generating units Versatel (€ 398,261k) and 1&1 Telecom (€ 108,221k).

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 SE. 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.

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 2.5 in the description of revenue recognition. The segment Corporate 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 2015 was as follows:

January - December 2015	Access segment €k	Applications segment €k	Corporate segment €k	Reconciliation €k	United Internet Group €k
Segment revenues	2,742,647	1,001,181	221	-28,369	3,715,680
- thereof domestic	2,742,647	617,595	221	-28,369	3,332,094
- thereof non-domestic	0	383,586	0	0	383,586
EBITDA	492,125	281,932	-2,875	0	771,182
EBIT	336,392	222,510	-3,185	0	555,717
Financial result			9,199	-23,209	-14,010
Writedowns on investments			-5,292	-25	-5,317
Result from at-equity companies			-5,065	3,772	-1,293
EBT			-4,343	539,440	535,097
Tax expense				-168,518	-168,518
Net income					366,579
Assets (non-current)	947,588	645,549	461,983	---	2,055,120
- thereof domestic	947,588	322,042	456,761	---	1,726,391
- thereof shares in associated companies	440 272	0	26,539	---	466,811
- thereof other financial assets	834	20	430,222	---	431,076
- thereof goodwill	506,482	322,022	0	---	828,504
- thereof non-domestic	0	323,507	5,222	---	328,729
- thereof shares in associated companies	0	1,555	0	---	1,555
- thereof other financial assets	0	12,661	5,222	---	17,883
- thereof goodwill	0	309,291	0	---	309,291
Investments in intangible assets, property, plant and equipment (without goodwill)	96,308	52,448	791	---	149,547
Amortization/depreciation	155,733	59,422	310	---	215,465
- thereof intangible assets and property, plant and equipment	116,162	52,270	310	---	168,742
- thereof assets capitalized during company acquisitions	39 571	7,152	0	---	46,723
Number of employees	3,142	4,945	152	---	8,239
- thereof domestic	3,142	3,208	152	---	6,502
- thereof non-domestic	0	1,737	0	---	1,737

Segment revenues also include certain revenues between segments, but without internal Group allocations and charges. The segment revenue of the Applications segment thus also contains revenue of € 28,369k generated with the Access segment, mainly in connection with the marketing of the GMX and WEB.DE portals for Access products launched in the reporting period.

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 10.3% (prior year: 11.3%) 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 2014 was as follows:

2014	Access segment €k	Applications segment €k	Head Office / Investments €k	Reconciliation €k	United Internet Group €k
Segment 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 (without goodwill)	27,259	50,273	500	---	78,032
Amortization/depreciation	63,012	57,673	201	---	120,886
- thereof intangible assets and property, plant and equipment	53,180	49,293	201	---	102,674
- thereof 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

6. Cost of sales

	2015 **€k**	**2014** **€k**
Cost of services	1,633,941	1,402,671
Cost of goods	376,911	350,563
Personnel expenditure	164,320	126,933
Depreciation	139,530	74,169
Others	123,523	80,150
Total	**2,438,225**	**2,034,486**

Cost of sales in relation to sales revenue decreased slightly to 65.6% compared with the previous year (66.4%). This resulted in an increase in gross margin to 34.4% (prior year: 33.6%).

7. Selling expenses

Selling expenses developed less than proportionately from € 481,292k (15.7% of sales) to € 557,220k (15.0% of sales).

8. General and administrative expenses

Compared to the previous year, general and administrative expenses rose slightly faster than sales from € 136,904k (4.5% of sales) to € 182,254k (4.9% of sales).

9. Other operating income / expenses

9.1 Other operating expenses

	2015	2014
	€k	€k
Losses due to accounts receivable	33,158	22,350
Expenses from foreign currency translation	12,735	6,110
Other taxes	3,463	333
Transaction costs for business combinations	1,916	5,104
Losses from the disposal of property, plant and equipment	1,365	425
Donations	246	146
Losses from the disposal of investment	0	884
Others	16,895	4,602
Total	**69,778**	**39,954**

Losses due to accounts receivable include expenses for valuation allowances on trade accounts receivable and expenses arising from the derecognition of such receivables.

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 € 246k (prior year: € 1,555k).

Other expenses mainly comprise costs for legal disputes. These refer to litigation risks for which suitable provisions were formed as at the reporting date.

Please refer to note 4.1 for information on transaction costs for business combinations.

9.2 Other operating income

	2015	2014
	€k	**€k**
Income from dunning and return debit charges	25,206	30,538
Income from the processing of an investment transaction	20,870	0
Income from foreign currency translation	12,981	7,665
Income from the disposal of Virtual Minds	8,388	0
Income from the disposal of Goldbach	5,569	0
Income from an agreement in the course of a company acquisition	2,700	0
Income from the disposal of property, plant and equipment	469	151
Income from revaluation of existing Versatel shares as part of successive business acquisition of the Versatel Group	0	118,523
Income from contribution of Global Founders Capital and European Founders Fund to Rocket Internet AG	0	75,802
Others	10,322	11,695
Total	**86,505**	**244,374**

Income from the processing of an investment transaction refers to the recognition of a derivative financial instrument during the year which was measured at fair value.

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.

In the course of the successive business acquisition of the Versatel Group in the previous year, 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 in the previous year 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 4.3 for information on income from the contribution of Global Founders Capital and European Founders Fund companies in the previous year.

10. Depreciation and amortization

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

	2015	2014
	€k	**€k**
Cost of sales	139,530	74,169
Selling expenses	44,875	33,883
General and administrative expenses	31,060	12,834
Total	**215,465**	**120,886**

Depreciation and amortization also includes the amortization of capitalized assets resulting from business combinations. These are divided between the capitalized assets as follows:

	2015	2014
Intangible assets	**€k**	**€k**
Customer base / order backlog	22,816	9,545
Software	276	395
Technology	1,442	1,811
	24,534	**11,751**
Tangible assets		
Network infrastructure		
Operational equipment	21,407	5,288
Total	782	1,173
	46,723	**18,212**

Amortization of capitalized assets resulting from business combinations is divided between the business combinations as follows:

	2015	2014
	€k	**€k**
Versatel	39,571	9,832
Arsys	6,116	6,626
Fasthosts	999	900
united-domains	0	778
RevenueDirect	0	39
WEB.DE portal business	37	37
	46,723	**18,212**

11. Personnel expenses

Personnel expenses are divided among the various divisions as follows:

	2015	2014
	€k	**€k**
Cost of sales	164,320	126,933
Selling expenses	185,258	163,031
General and administrative expenses	80,170	61,697
Total	**429,747**	**351,661**

The number of employees increased by 5.2%, from 7,832 in the previous year to 8,239 at the end of 2015.

	2015	2014
	€k	**€k**
Germany	6,502	6,168
Outside Germany	1,737	1,664
Total	8,239	7,832

The average number of employees in fiscal year 2015 amounted to 7,972 (prior year: 7,028), of which 6,374 (prior year: 5,395) were employed in Germany and 1,598 (prior year: 1,634) 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 2015, they amounted to € 25,060k (prior year: € 20,214k) 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.

12. Financial expenses

	2015	2014
	€k	**€k**
Loans and overdraft facilities	22,136	13,449
Financial expense from finance leases	2,228	579
Interest expense from tax audit	456	5,779
Other	2,319	302
Redemption of interest swap	0	6,723
Interest expense from interest swaps	0	2,667
	27,139	**29,499**

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 in the previous year with effect on profit or loss.

The year-on-year increase in borrowing costs results mainly from higher finance volumes.

Please refer to note 43 for an explanation of the financial expense from finance leases.

13. *Financial income*

	2015	2014
	€k	€k
Income from dividends	10,640	395
Interest income from credit balances with banks	1,183	691
Interest income from finance leases	523	301
Interest income from tax audit	498	2,165
Income from loans to associated companies	285	742
Total financial income	**13,129**	**4,294**

Income from dividends mainly comprises income from a dividend of € 10,472k distributed by Drillisch AG.

With regard to income from loans to associated companies, please refer to note 40.

14. *Income taxes*

The income tax expense is comprised as follows:

	2015	2014
	€k	€k
Current income taxes		
- Germany	158,298	158,381
- Abroad	13,982	-11,202
Total (current period)	172,280	147,179
Deferred taxes		
- Due to tax loss carryforwards	2,819	-252
- Tax effect on temporary differences	-6,581	-15,423
Total deferred taxes	-3,762	-15,675
Total tax expense	**168,518**	**131,504**

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

German trade tax 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. The effective trade tax rate depends on the municipality in which the company operates. The average trade tax rate in fiscal year 2015 amounted to approx. 14.5% (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 include effects not relating to the period of € 2,810k (prior year: € 219k).

The tax income recognized directly in other comprehensive income in fiscal year 2015 amounted to € 2,642k at the end of the reporting period (prior year: tax expense € 5,759k).

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:

	2015	2014
	€k	€k
Germany	22,193	24,647
France	670	1,033
USA	340	340
	23,203	**26,020**

Deferred tax assets for loss carryforwards of German companies mainly refer to the Versatel Group.

Tax loss carryforwards for which no deferred tax assets have been formed, refer to the following countries (excluding Germany):

	2015	2014
	€k	€k
USA Federal *	8,711	7,104
USA State **	9,862	8,140
Poland	1,369	1,429
	19,942	**16,673**

* Tax rate 30.6%

** Tax rate 10.0%

A breakdown of income tax types results in the following loss carryforwards for Germany for which no deferred taxes have been formed:

	2015 Corporation tax in €k	Trade tax in €k	2014 Corporation tax in €k	Trade tax in €k
Germany	85,710	32,953	89,100	34,136

Loss carryforwards in Germany for which no deferred tax assets have been formed mainly refer to loss carryforwards of the Versatel Group.

In fiscal year 2015, loss carryforwards of € 3,626k were used.

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
- France: indefinite, but minimum taxation
- Poland: 5 years

Deferred taxes resulted from the following items:

	2015		2014	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Trade receivables	1,904	3,746	1,330	2,337
Inventories	275	0	34	0
Other financial assets				
- current	502	15	578	67
Other financial assets				
- non-current	33,756	316	43,509	3,194
Other assets	445	88	1,039	147
Prepaid expenses	83,975	1,894	79,724	1,035
Property, plant and equipment	4,261	62,636	4,821	70,959
Intangible assets	7,922	105,339	21,341	121,630
Other provisions	7,781	1,290	6,867	1,945
Other liabilities	28,973	3,689	31,232	3,483
Prepaid expenses	6,033	2,191	3,788	2,168
Gross value	175,827	181,204	194,263	206,965
Tax loss carryforwards	23,203	0	26,020	0
Tax credit Spain	854	0	201	0
Adjustments for consolidation	1,182	430	0	457
Offsetting	-92,554	-92,554	-133,846	-133,846
Consolidated balance sheet	**108,512**	**89,080**	**86,638**	**73,576**

The net balance of deferred tax assets increased from € 13,062k in the previous year to € 19,432k. As a result, the total change in the net balance of deferred taxes amounted to € 6,370k (prior year: € 28,269k). This change was mainly due to the following factors:

- Decrease in deferred tax assets from debtor warrant of Versatel Group acquired in 2014 (€ 8,940k),
- Decrease in deferred tax liabilities from property, plant and equipment of the Versatel Group acquired in 2014 (€ 9,594k),
- Increase in deferred tax assets for customer acquisition costs in the tax balance sheet (€ 4,251k),
- Addition of deferred tax assets without effect on profit or loss from acquisition of the home.pl Group (€ 1,416k).

The change in the net balance of deferred taxes compared to the previous year is reconciled as follows:

	2015	2014
Deferred tax income	3,762	15,675
Deferred tax expense recognized directly in equity	2,642	-5,759
Addition in connection with business combinations	1,416	-38,185
Effect from goodwill adjustment Versatel	-1,450	0
Change in the net balance of deferred taxes	**6,370**	**-28,269**

Deferred tax liabilities for intangible assets of € 105,339k (prior year: € 121,630k) 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 € 1,189k as of December 31, 2015 (prior year: € 3,831k).

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

	2015	2014
	%	%
Anticipated tax rate	30.3	30.0
- Actual and deferred taxes for previous years	-0.5	0.2
- Transaction costs in connection with business combinations which must be capitalized for tax purposes	0.2	0.2
- Amortization of intangible assets non-deductible for tax purposes	0.5	0.9
- Tax-reduced profit from disposals and income from investments	-2.5	-10.1
- Tax effect in connection with internal Group dividends and disposals	4.3	1.8
- Differences in foreign tax rates	-0.4	-0.3
- Employee stock ownership plan	-0.6	-0.3
- Tax losses of the fiscal year for which no deferred taxes have been capitalized	0.0	0.1
- First-time capitalization of tax losses not recognized in previous years	0.0	-0.6
- Allowances for deferred taxes capitalized in previous years	0.0	0.6
- Use of tax losses results for which no deferred taxes have been capitalized	-0.2	0.0
- Non-taxable at-equity results	0.1	0.6
- Balance of other tax-free income and non-deductible expenses	0.3	-0.5
Effective tax rate	**31.5**	**22.7**

The reconciliation amount from tax-reduced profit from disposals and income from investments in the previous year resulted 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 SE 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.

15. Earnings per share

As in the previous year, capital stock as of December 31, 2015 was divided into 205,000,000 registered no-par shares each with a theoretical share in the capital stock of € 1. On December 31, 2015, United Internet held 917,859 treasury shares (prior year: 1,232,338). 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 203,917,520 for fiscal year 2015 (prior year: 196,418,404).

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, 2015. All option rights existing on December 31, 2015 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 2,875,000 (prior year: 3,660,000) potential shares (from the assumed use of rights). Based on an average market price of € 43.33 (prior year: € 32.81), this would result in the issuance of 1,278,548 (prior year: 1,377,714) shares without consideration.

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

	2015 **€k**	**2014** **€k**
Profit attributable to the shareholders of United Internet AG	**366,405**	**447,124**
Earnings per share (in €)		
- undiluted	1.80	2.28
- diluted	1.79	2.26
Weighted average number of outstanding shares (in million units)		
- undiluted	203.92	196.42
- diluted	205.20	197.80

16. Dividend per share

The Annual Shareholders' Meeting of United Internet AG on May 21, 2015 voted to accept the proposal of the Management Board and Supervisory Board to pay a dividend of € 0.60 per share. The total dividend payment of € 122.3 million was made on May 22, 2015.

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 2015 at the Supervisory Board meeting on March 16, 2016.

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 917,859 treasury shares (prior year: 1,232,338).

17. 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.

18. Trade accounts receivable

	2015	**2014**
	€k	€k
Trade accounts receivable	278,603	237,017
less		
Bad debt allowances	-23,098	-20,369
Trade accounts receivable, net	255,505	216,648
thereof trade accounts receivable - **current**	218,074	193,142
thereof trade accounts receivable **- non-current**	37,431	23,506

As of December 31, 2015 bad debt allowances for trade accounts receivable amounted to € 23,098k (prior year: € 20,369k). The development of bad debt allowances can be seen below:

	2015	**2014**
	€k	**€k**
As of January 1	20,369	16,943
Utilization	-15,340	-14,816
Additions charged to the income statement	20,487	19,720
Reversals	-2,520	-2,098
Exchange rate differences	102	620
As of December 31	**23,098**	**20,369**

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 41.

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:

	2015	2014
	€k	€k
Trade accounts receivable, net		
< 30 days		
30-60 days	237,030	195,711
60-90 days	6,466	9,099
90-120 days	5,543	5,839
>120 days	3,695	3,438
> 120 Tage	2,771	2,561
	255,505	**216,648**

19. Inventories

Inventories consist of the following items:

	2015	2014
	€k	€k
Merchandise		
Mobile telephony / mobile internet	40,014	38,527
DSL hardware	6,913	5,168
SIM cards	468	611
Other	48	2,184
Domain stock held for sale	4,088	4,724
	51,531	**51,214**
less		
Allowances	-9,022	-8,584
Inventories, net	**42,509**	**42,630**

Goods recognized as material expense from inventories in cost of sales amounted to € 376,911k in the reporting period (prior year: € 350,563k). Of this this total, an amount of € 438k refers to impairment of inventories (prior year: € 2,068k).

Allowances include € 5,375k for mobile telephony/Mobile Internet (prior year: € 4,225k), € 3,647k for domains (prior year: € 3,584k), € 0k for DSL hardware (prior year: € 22k), and € 0k for other inventories (prior year: € 355k).

20. Current prepaid expenses

Prepaid expenses of € 82,633k (prior year: € 66,627k) consist mainly of prepayments for domain registration fees and pre-service fees which were deferred and charged to the income statement on the basis of the underlying contractual period.

21. *Other current assets*

21.1 Other current financial assets

	2015	2014
	€k	**€k**
Payments on account	5,044	832
Receivable from pre-service provider	4,525	2,124
Creditors with debit balances	2,681	2,306
Sales bonuses	1,896	1,473
Deposits	562	521
Other	8,132	6,188
Other financial assets, net	**22,840**	**13,444**

21.2 Other current non-financial assets

	2015	2014
	€k	**€k**
Receivables from tax office	114,575	377,474
Other non-financial assets, net	**114,575**	**377,474**

Receivables from the tax office of € 83 million refer to receivables from the payment of allowable capital gains tax with the solidarity surcharge (prior year: € 336 million).

22. *Shares in associated companies*

	2015	2014
	€k	**€k**
Carrying amount at the beginning of the fiscal year	34,932	115,311
Additions	439,305	22,684
Adjustments		
- Dividends	-100	-331
- Shares in result	-1,293	-11,862
- Other	928	208
Disposals	-5,406	-91,078
	468,366	**34,932**

The additions mainly refer to shares in Drillisch AG (see note 4.2). The fair value of shares in Drillisch AG amounted to € 430,488k as of December 31, 2015.

Other adjustments totaling € 928k 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 mainly comprise the sale of shares in virtual minds AG (see note 4.2).

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:

	2015	2014
	€k	€k
Current assets	380,603	46,633
Non-current assets	2,128,200	59,280
Current liabilities	93,782	19,146
Non-current liabilities	115,522	11,848
Shareholders' equity	2,299,499	74,919
Sales revenue	502,769	63,915
Net profits	30,391	-14,279

The summarized financial information mainly refers to Drillisch AG. The financial information is based in part on local accounting standards as a reconciliation of this financial information to IFRS would incur disproportionately high costs.

23. Other non-current financial assets

The development of other non-current financial assets was as follows:

			Amortization of revaluation reserve not recognized in income					
	Jan. 1, 2015	**Additions**	**Recycling**	**Additions**	**Impairment**	**Reclassification**	**Disposals**	**Dec. 31, 2015**
	€k	**€k**	**€k**	**€k**	**€k**	**€k**	**€k**	**€k**
Goldbach shares	13,449		-2,519				-10,930	0
Hi-media shares	11,838			-632	-3,433	-6,393		1,380
HiPay shares	0			-742	-1,859	6,393		3,792
Afilias shares	8,720							8,720
Rocket Internet shares	643,343	58,849		-314,744				387,448
Tele Columbus shares	0	32,815		2,715				35,530
Other	17,937	2,221			-25	-1,542	-6,502	12,089
	695,287	**93,885**	**-2,519**	**-313,403**	**-5,317**	**-1,542**	**-17,432**	**448,959**

			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**

Additions relating to Rocket Internet SE refer to the purchase of further shares in the course of a capital increase. Shares held in the Goldbach Group AG were sold in April 2015 (see note 4.2).

In December 2015, the United Internet Group acquired a 2.98% stake in Tele Columbus AG, Berlin, for a price of € 32.8 million.

24. Property, plant and equipment

	2015	2014
	€k	€k
Acquisition costs		
– Land and buildings	17,144	16,264
– Telecommunication equipment	474,050	398,230
– Network infrastructure	184,132	181,729
– Operational and office equipment	466,093	418,101
– Payments on account	14,584	16,893
	1,156,003	**1,031,217**
Less		
Accumulated depreciation	-490,808	-341,915
Property, plant and equipment, net	**665,195**	**689,302**

An alternative presentation of the development of property, plant and equipment in the fiscal years 2015 and 2014 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

The carrying value of property, plant and equipment held as part of finance leases amounts to € 104,579k as of December 31, 2015 (prior year: € 116,415k).

Due to the initial consolidation of the Versatel Group, there are purchase obligations for non-current assets totaling € 22.3 million (prior year: € 24.2 million).

25. Intangible assets (without goodwill)

	2015	2014
	€k	€k
Acquisition costs		
- Customer base	282,066	411,170
- Trademarks	121,671	118,770
- Software / technology	118,480	114,533
- Licenses	28,099	29,628
- One-off charges	919	445
	551,235	**674,546**
Less		
Accumulated amortization and impairment	-207,202	-289,072
Intangible assets, net	**344,033**	**385,474**

An alternative presentation of the development of intangible assets in the fiscal years 2015 and 2014 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

Customer relations of € 190,765k refer mainly to the customer base acquired in the previous year in connection with the Versatel acquisition. The prior-year figures included broadband customers acquired from freenet AG 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 € 19,882k in fiscal year 2015 (prior year: € 21,694k), and the carrying amount was € 0k (prior year: € 19,882k). Following complete scheduled amortization, this customer base was derecognized.

The carrying values of intangible assets with indefinite useful lives (trademarks) totaled € 120,687k (prior year: € 117,837k). 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:

	2015	**2014**
	€k	**€k**
Versatel	62,000	62,000
Mail.com	25,065	22,490
WEB.DE	17,173	17,173
Arsys	7,553	7,553
Fasthosts	4,698	4,423
united-domains	4,198	4,198
	120,687	**117,837**

26. Goodwill

A presentation of the development of goodwill in the fiscal years 2015 and 2014 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

27. 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.

Impairment charges are 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:

	2015	2014
	€k	€k
Access segment		
Versatel *	398,261	509,654
1&1 Telecom*	108,221	0
	506,482	**509,654**
Applications segment		
1&1 Mail & Media	228,501	228,501
Home.pl**	159,361	0
Arsys	100,495	100,495
UK (Fasthosts / Dollamore)	73,901	69,579
united-domains	35,924	35,924
Affiliate Marketing	22,451	22,451
InterNetX	5,237	5,032
Domain Marketing	5,098	5,098
Mail.com	345	309
	631,313	**467,389**
	1,137,795	**977,043**

* Due to the short period between the acquisition and the preparation of these consolidated financial statements, the purchase price allocation is still preliminary. The finalization of purchase price allocation resulted in reduction of € 3,172k and an allocation of goodwill to the cash-generating units Versatel and 1&1 Telecom.

** Due to the short period between the acquisition and the preparation of these consolidated financial statements, no purchase price allocation has been made so far. The difference between purchase price and the carrying amounts of the acquired assets was thus recognized as goodwill for the time being.

Scheduled impairment test on December 31, 2015

The recoverable amounts of the cash-generating units are calculated on the basis of a calculation of fair value less disposal costs using cash flow forecasts. The hierarchy of fair value less disposal costs as defined by IFRS 13 is set at Level 3 for all impairment tests. The cash flow forecasts are based on the Company's budgets for fiscal 2016. These budgets were prepared by management on the basis of external market studies and internal assumptions, extrapolated for a period of up to five years. Following this period, management assumes an annual increase in cash flow of 0.5% to 2.0% (prior year: 0.5% - 2.0%), corresponding to long-term average growth of the sector in which the respective cash-generating unit operates. The discount rates after tax used for cash flow forecasts range between 5% and 9% (prior year: 6% - 10%). The imputed discount rates before tax of this reporting period range from 8% to 13% (prior year: 8% - 12%).

The most important parameters per cash-generating unit are shown in the table below:

	Proportion of total goodwill	**Parameter**		**2016**	**2017**	**2018**	**2019**	**> 2020**
		Previous year	***2015***	***2016***	***2017***	***2018***	***> 2019***	
Versatel*	35%	Sales growth		*-2%*	*5%*	*19%*	*17%*	12%
		Previous year	*0%*	*0%*	*4%*	*5%*	6%	
		Discount rates		*6%*	*6%*	*6%*	*6%*	6%
		Previous year	*6%*	*6%*	*6%*	*6%*	6%	
1&1 Mail & Media***	20%	Sales growth		11%	6%	6%	1%	1%
		Previous year	15%	6%	5%	5%	2%	
		Discount rates		6%	5%	5%	5%	5%
		Previous year	9%	9%	9%	9%	7%	
1&1 Telecom	10%	Sales growth		*9%*	*7%*	*3%*	*1%*	1%
		Previous year	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	
		Discount rates		*7%*	*6%*	*6%*	*6%*	6%
		Previous year	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	
Arsys**	9%	Sales growth		2%	3%	3%	3%	3%
		Previous year	3%	11%	11%	6%	3%	
		Discount rates		9%	9%	9%	9%	7%
		Previous year	10%	10%	10%	10%	9%	
Fas hosts***	6%	Sales growth		6%	1%	1%	1%	1%
		Previous year	1%	2%	2%	2%	2%	
		Discount rates		7%	6%	6%	6%	6%
		Previous year	8%	8%	8%	8%	6%	
united domains***	3%	Sales growth		8%	1%	1%	1%	1%
		Previous year	9%	9%	9%	9%	1%	
		Discount rates		7%	6%	6%	6%	6%
		Previous year	9%	9%	9%	9%	8%	
Affiliate Marketing***	2%	Sales growth		30%	1%	1%	1%	1%
		Previous year	14%	9%	11%	10%	1%	
		Discount rates		6%	5%	5%	5%	5%
		Previous year	12%	12%	12%	12%	11%	
InterNetX***	0%	Sales growth		21%	1%	1%	1%	1%
		Previous year	2%	2%	2%	2%	1%	
		Discount rates		7%	6%	6%	6%	6%
		Previous year	9%	9%	9%	9%	8%	
Domain Marketing***	0%	Sales growth		0%	1%	1%	1%	1%
		Previous year	-1%	-1%	-3%	-3%	0%	
		Discount rates		7%	6%	6%	6%	6%
		Previous year	12%	12%	12%	12%	12%	

* planned sales growth 2020: 12%, > 2021: 0.5%; discount rate after tax in perpetuity amounts to 5%

** planned sales growth after 2020: 2%

*** Discount rates in the previous year are discount rates before tax (value-in-use)

In the Applications segment, trademarks recognized amount to € 58,687k (prior year: € 55,837k) and in the Access segment to € 62,000k (prior year: € 62,000k; see note 25). In the course of business combinations, the trademarks were valued at their fair values less disposal cost 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: 0.75% - 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 fair values. 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 -2% and 30% is expected for the fiscal years 2016 to 2020 (prior year: between -3% and 15%). 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.

- EBITDA margin

  The planned EBITDA margins are based on market assumptions made by the management of the respective cash-generating unit. Management make assumptions of the developments of EBITDA 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.

- Disposal cost

  For the calculation of fair value less disposal cost, a range of 1.5% to 3% was used for the disposal cost rates.

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 fair value less disposal costs of a cash-generating unit 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: 2 percentage points) would have no effect on the impairment test, with the exception of the impairment test for the cash-generating unit Versatel (see explanation below). 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 long-term growth rates in perpetuity of 0.5 percentage points would not affect the impairment test.

- EBITDA margins

  Management recognizes that the EBITDA margins of the cash-generating units depend 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 EBITDA margins which differ from those used in the budgets of the respective cash-generating unit. A decline in EBITDA margins, within the possible parameters of reasonable judgment, would not result in a reduction of fair values to below carrying value.

- Cash-generating unit "Versatel"

  The recoverable amount of the cash-generating unit "Versatel" was determined by calculating fair value less disposal costs, applying cash flow forecasts and present value models. With regard to the basic assumptions, we refer to the disclosures made above. The hierarchy of fair value less disposal costs as defined by IFRS 13 is set at Level 3. A variation of the discount rate of + 1.0% and of the growth rate of – 0.15% would result in the recoverable amount equaling the carrying amount of the cash-generating unit. A variation of the discount rate of + 0.5% and of the planned EBITDA margin in perpetuity of – 2.5% would result in the recoverable amount equaling the carrying amount of the cash-generating unit.

For all other cash-generating units, management believes that no basic change to the discount rate, growth rate or EBITDA margin – based on reasonable judgment – would result in the carrying amount significantly exceeding the recoverable amount.

28. Non-current prepaid expenses

Non-current prepaid expenses result mainly from advance payments relating to long-term purchasing agreements with pre-service providers and amount to € 102,438k as of December 31, 2015 (prior year: € 37,097k).

29. Trade accounts payable

Trade accounts payable amount to € 399,904k (prior year: € 360,334k), of which liabilities with terms of more than one year total € 4,042k (prior year: € 4,193k).

30. Liabilities due to banks

a) Liabilities due to banks

	2015	2014
	€k	€k
Bank loans	1,536,502	1,374,002
Less		
Current portion of liabilities due to banks	-29,332	-30,061
Non-current portion of liabilities due to banks	**1,507,170**	**1,343,941**
Short-term loans/overdrafts	29,332	30,061
Current portion of liabilities due to banks	**29,332**	**30,061**
Total	**1,536,502**	**1,374,002**

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

There are variable interest rates for using the syndicated loan. The effective interest rates for the interest periods of 1, 3 and 6 months are tied to the EURIBOR rate plus a margin p.a.. This margin depends on key performance indicators of the United Internet Group and is within a range of 0.6% to 1.4%. 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 € 810 million with a term until July 9, 2020 which had been utilized as of December 31, 2015 in an amount of € 163 million. An amount of € 647 million is therefore still available from the portion of the revolving syndicated loan facility not yet drawn.

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 0.850% (prior year: 0.726%).

As of December 31, 2015, there are also current account overdrafts.

No collateral was provided for any of the loans.

With the exception of the interest-bearing promissory note loans, the fair values of bank liabilities mainly correspond to their carrying values. For further information on the promissory note loan, please refer to note 39.

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

b) Credit lines (excluding the revolving syndicated loan facility)

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:

	2015 € million	2014 € million
Credit line	133	118
Credit line utilization	28	0
Available credit line	105	118
Utilization of guarantees	37	19
Average interest rate (in%)	0.53-1.10	0.81-1.16
Unutilized credit facilities	68	99

Credit facilities have been granted by the banks for limited periods. € 35.0 million expire in November 2018, € 98 million are available until further notice.

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.

31. Income tax liabilities

Income tax liabilities consist of the following items:

	2015 €k	2014 €k
Germany	126,477	136,823
UK	2,328	2,021
Poland	388	0
USA	242	165
France	0	176
Spain	151	61
Total	**129,586**	**139,246**

32. 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.

33. Other accrued liabilities

The development of accruals in fiscal year 2015 was as follows:

	Restoration obligations	Litigation risks	Others	Total
	€k	€k	€k	€k
January 1, 2015	**33,458**	**7,609**	**7,388**	**48,455**
Utilization	115	2,247	5,032	7,394
Reversal	182	2,102	0	2,284
Addition of accrued interest	512	0	0	512
Addition	1,276	16,068	3,411	20,755
December 31, 2015	**34,949**	**19,328**	**5,767**	**60,044**

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 € 10,267k (prior year: € 12,657k) have a term of two to five years and € 25,942 (prior year: € 23,237k) a term of over five years. Long-term accruals mainly refer to restoration obligations.

34. Other liabilities

34.1 Other current financial liabilities

	2015	2014
	€k	€k
Other current financial liabilities		
- Salary liabilities	41,823	30,622
- Marketing and selling expenses / commissions	27,851	22,537
- Finance lease commitments	17,747	16,671
- Creditors with debit balances	6,522	3,398
- Service / maintenance / restoration obligations	3,658	6,172
- Legal and consulting fees, auditing fees	3,008	3,517
- Public relations	353	226
- Purchase price liabilities	0	5,100
- Marketing campaigns	0	1,140
- Others	4,483	5,434
Total	**105,445**	**94,817**

34.2 Other current non-financial liabilities

	2015	2014
Other current non-financial liabilities	**€k**	**€k**
- Liabilities to the tax office	36,408	27,128
- Liabilities from tax audit	0	5,195
- Others	397	55
Total	**36,805**	**32,378**

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

34.3 Other non-current financial liabilities

	2015	2014
	€k	**€k**
Other non-current financial liabilities		
- Finance lease commitments	85,817	89,442
- Purchase price liability InterNetX	3,110	3,416
- Others	6,594	6,382
Total	**95,521**	**99,240**

Please refer to note 43 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 previous year. 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.

35. 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		22.06.2015	
Fair value	3,043	€k	474	€k	1,213	€k
Average market value per option	4.75	€	4.74	€	6.07	€
Dividend yield	1.3	%	1.3	%	1.48	%
Volatility of the share	27	%	29	%	29	%
Expected term (years)	5		5		5	
Risk-free interest rate	0.6	%	0.2	%	0.05	%

The total expense from the stock ownership plan amounts to € 30,691k (prior year: € 30,060k). The cumulative expense as of December 31, 2015 totaled € 26,668k (prior year: € 23,818k). Expenses of € 4,023k (prior year: € 6,242k) therefore relate to future years. The personnel expense for share options issued amounted to € 2,850k in the reporting period (prior year: € 3,222k).

In the course of the acquisition of the home.pl SA Group, the management of the acquired group was granted options to acquire home.pl S.A. shares. This employee stock ownership plan is linked to exercise conditions and corporate targets. The first exercise date is December 31, 2018.

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 end of a blocking period, which expires in the second quarter of 2016.

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, 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
Issued	200,000	40.00
Exercised	-75,000	18.13
Exercised	-20,000	12.12
Exercised	-125,000	12.03
Exercised	-325,000	16.06
Exercised	-75,000	21.95
Exercised	-100,000	13.43
Expired / forfeited	-100,000	18.13
Expired / forfeited	-100,000	32.79
Expired / forfeited	-75,000	16.24
Exercised	-100,000	8.96
Exercised	-15,000	13.30
Exercised	-75,000	16.24
Outstanding as of December 31, 2015	2,875,000	22.78
Exercisable as of December 31, 2015	0	0
Exercisable as of December 31, 2014	0	0
Weighted average remaining term as of December 31, 2015 (in months)	31	
Weighted average remaining term as of December 31, 2014 (in months)	38	

36. Capital stock

As in the previous year, the fully paid-in capital stock of the balance sheet date amounted to € 205,000,000 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.

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 pursuant to Sec. 71 (1) No. 8 AktG to purchase treasury shares representing up to 10% of capital stock. The authorization was issued for the period up to September 22, 2017. Treasury shares can be used for all purposes stated in the authorization of the Annual Shareholders' Meeting of May 22, 2014. 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.

Following issues of 314,479 shares for existing employee stock ownership plans (prior year: 307,662), the Group held 917,859 treasury shares as of December 31, 2015 (prior year: 1,232,338) corresponding to 0.45% of capital stock (prior year: 0.60%).

Treasury shares reduce equity and have no dividend entitlement.

Authorized capital

The Management Board is authorized, subject to the approval of the Supervisory Board, to increase the capital stock in the period ending May 20, 2020 by a maximum of € 102,500,000.00 by issuing on one or more occasions new no-par value shares in return for cash and/or non-cash contributions. The previous authorization to increase capital stock in the period ending May 26, 2016 by a maximum of € 112,500,000.00 by issuing on one or more occasions new no-par value shares was cancelled on expiry of May 21, 2015 with effect for the future.

In the case of a capital increase, shareholders shall be granted subscription rights. Pursuant to Section 186 (5) AktG, shareholders can also be granted subscription rights indirectly. However, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the rights of shareholders to subscribe:

- in the case of fractional amounts arising from the subscription ratio;

- in the case of a capital increase in return for cash contribution if the new shares are issued at an issuance price which is not substantially below the market price (as defined by Section 203 (1) and (2) in conjunction with Section 186 (3) Sentence 4 AktG) of those Company shares already listed of the same type and with the same terms at the time of the final determination of the issuance price by the Management Board, which should be as near as possible to the share issue date, and the proportionate amount of the capital stock attributable to the new shares for which subscription rights are excluded does not exceed ten percent of the existing capital stock, neither at the time this authorization becomes effective nor when it is exercised. This amount includes the proportionate share of capital stock attributable to shares issued or used during the term of the authorization in direct or corresponding application of Section 186 (3) Sentence 4 AktG under exclusion of subscription rights. This amount also includes the proportionate share of capital stock attributable to shares issued or to be issued to serve conversion or warrant rights, providing the underlying bonds are issued during the term of this authorization under exclusion of subscription rights pursuant to Section 186 (3) Sentence 4 AktG;

- to the extent that this should be necessary in order to grant subscription rights for new shares to bearers of bonds with warrant or conversion rights or obligations issued by the Company or subordinated Group companies in the amount to which they are entitled on exercise of their warrant or conversion rights or fulfillment of their warrant or conversion obligation;

- in the case of capital increases in return for non-cash contribution to grant shares for the purpose of acquiring companies, parts of companies, interests in companies or other assets, including rights and receivables, or as part of business combinations.

Conditional capital

Capital stock is to be conditionally increased by up to € 25,000,000.00, divided into 25,000,000 no-par value shares (Conditional Capital 2015). The conditional capital increase is earmarked for shares to be granted to bearers or holders of warrant or convertible bonds granted by the Company or a subordinated Group company in accordance with the above authorization. The new shares shall be issued at the warrant or conversion price to be determined in the bond terms and in accordance with the above authorization. The conditional capital increase shall only be implemented to the extent that the warrant or conversion rights pertaining to the bonds are exercised or warrant or conversion obligations pertaining to the bonds are fulfilled, or the Company exercises its right to tender shares, and unless other fulfillment possibilities for servicing are used. The new shares used for the issue shall participate in profits from the beginning of the fiscal year in which they are created by exercising the warrant or conversion right; to the extent that it is legally permissible, the Management Board may, with the approval of the Supervisory Board, determine the profit participation of new shares and, notwithstanding Section 60 (2) AktG, also for a fiscal year already expired. The Management Board is authorized to determine the further details of the implementation of the conditional capital increase.

The authorization valid up to May 21, 2019 to conditionally increase capital stock by up to € 30,000,000.00, divided into 30,000,000 no-par value shares, was cancelled on expiry of May 21, 2015 with effect for the future.

37. Reserves

As of December 31, 2015, capital reserves amounted to € 372,203k (prior year: € 369,353k). € 2,850k of this increase results 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. In the previous year, other transactions with shareholders in the statement of changes in shareholders' equity amounting to € 3,416k considers the purchase price liability for InterNetX which reduces equity.

At the end of the reporting period, the revaluation reserve consisted of the following items:

	2015	**2014**
	€k	**€k**
- Rocket Internet	-106,870	204,753
- Afilias shares	8,175	8,175
- Tele Columbus shares	2,674	0
- Goldbach shares	0	2,465
- HiMedia shares	0	1,353
Total	**-96,021**	**216,745**

Provided there is no indication of impairment, profit and loss from subsequent valuation to fair value is recognized directly in other comprehensive income net – i.e. less deferred taxes – and after non-controlling interests.

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 2015 and 2014 is provided in the statement of changes in shareholders' equity.

38. Non-controlling interests

Non-controlling interests as of December 31, 2015 mainly comprise the shares of the minority shareholders of InterNetX GmbH, Regensburg, (4.44% of capital stock) and subsidiaries of the home.pl S.A. Group.

39. Additional details on financial instruments

The following table shows the carrying values for each category of financial assets and liabilities for fiscal year 2015:

	Valuation category acc. to IAS 39	Carrying value on Dec. 31, 2015	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, 2015
Financial assets							
Cash and cash equivalents	lar	84,261	84,261				84,261
Trade accounts receivable	lar/n/a						
Receivables from finance leases	n/a	42,001				42,001	42,948
Others	lar	213,504	213,504				213,504
Other current financial assets	lar	22,840	22,840				22,840
Other non-current financial assets	lar/afs						
Investments	afs	436,870	8,720	428,150			436,870
Others	lar	12,089	12,089				13,365
Financial liabilities							
Trade accounts payable	flac	-399,904	-399,904				-399,904
Liabilities due to banks	flac	-1,536,502	-1,536,502				-1,553,350
Other financial liabilities	flac/n/a						
Finance leases	n/a	-103,483				-103,483	-106,026
Others	flac	-97,483	-97,483				-97,483
Of which aggregated acc. to valuation categories:							
Loans and receivables (lar)	lar	332,694	332,694	0	0	0	333,971
Available-for-sale (afs)	afs	436,870	8,720	428,150	0	0	436,870
Financial liabilities measured at amortized cost (flac)	flac	-2,033,889	-2,033,889	0	0	0	-2,050,737
Finance leases	n/a	-61,482	0	0	0	-61,482	-63,078

The following net results were stated for the individual categories of financial instruments acc. to IAS 39 in fiscal year 2015:

Net result acc. to valuation categories 2014 (in €k)	Valuation category acc. to IAS 39	From interest and	Net profits and losses from subsequent valuation: Fair value	Currency translation	Value adjusted	Net result
Loans and receivables (lar)	lar	1,468	--	-17	-33,158	-31,707
Available for sale (afs)	afs					
- of which not affecting net income		--	-315,922	--	--	-315,922
- of which affecting net income		10,640	--	--	-5,317	5,323
Financial liabilities measured at amortized cost (flac)	flac	-24,455	--	-7	--	-24,462
Financial assets held for trading	hd					
- of which affecting net income		--	21,140	--	--	21,140
Total		-12,347	-294,782	-24	-38,475	-345,628

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.

In spite of the promissory note loan of € 600 million concluded in the previous year at favorable conditions, the fair values of these liabilities rose by € 17 million to € 617 million due to the positive risk assessment of the Group by the banks.

Due to changed interest rates, there are slight deviations between the carrying value and fair value of receivables and liabilities in connection with finance leases.

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 2014:

	Valuation category acc. to IAS 39	Carrying value on Dec. 31, 2014	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, 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							
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						
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 table shows the carrying values for each category of financial assets and liabilities for fiscal year 2014:

Net result acc. to valuation categories 2014 (in €k)	Valuat on category acc. to IAS 39	From interest and div dends	Net profits and losses from subsequent valuat on: Fair value	Currency translat on	Value adjusted	Net result
Loans and receivables (lar)	lar	1,435	--	1,088	-22,350	-19,827
Available for sale (afs)	afs					
- of wh ch not affecting net income		--	211,363	--	--	211,363
- of wh ch affecting net income		395	--	--	--	395
Financial liabilities measured at amortized cost (flac)	flac	-14,028	--	467	--	-13,561
Hedging derivatives (hd)	hd					
- of wh ch not affecting net income		--	959			959
- of wh ch affecting net income		-2,667	-6,723	--	--	-9,390
Total		-14,865	205,599	1,555	-22,350	169,939

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 2015, 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.

- 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, 2015	Level 1	Level 2	Level 3
	€k	€k	€k	€k
Available-for-sale financial assets				
Listed shares	428,150	428,150		

In the reporting period ending 31 December 2015, there were no transfers between levels.

	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		

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.

40. 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 and their close relatives were classified as related parties. Moreover, companies over which the related parties exert a controlling influence are classified as related parties.

Mr. Frank Krause was appointed as a further member of the Management Board of United Internet AG on June 1, 2015. Mr. Norbert Lang retired from the Management Board of United Internet AG at his own request on June 30, 2015. Otherwise, there were no changes to the circle of related parties as compared with the consolidated financial statements as at December 31, 2014.

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 2016 and September 2025. The resulting rent expenses are customary and amounted to € 7,206k in fiscal year 2015 (prior year: € 7,338k).

At the ordinary shareholders’ meeting on May 21, 2015, Mr. Kurt Dobitsch (chairman), Mr. Michael Scheeren (deputy chairman), 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 2019.

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

Kurt Dobitsch

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

Kai-Uwe Ricke

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

Michael Scheeren

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

On May 21, 2015, the Annual Shareholders' Meeting adopted a new remuneration system which complies fully with the German Corporate Governance Code. It consists of a fixed remuneration component and an attendance fee per meeting. The fixed remuneration for an ordinary member of the Supervisory Board amounts to € 15k per full fiscal year. The Chairman of the Supervisory Board receives the double amount. The attendance fee amounts to € 1k for each meeting.

The members of the Supervisory Board of United Internet AG are also members of the supervisory board of various subsidiaries. As of fiscal year 2015, they receive remuneration from these subsidiaries (in the previous year only from 1&1 Internet AG). The remuneration of the subsidiaries also consists of a fixed annual remuneration and an attendance fee for each meeting. The fixed annual remuneration varies between the subsidiaries, while the standard attendance fee amounts to € 1k for each meeting.

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

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

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

2015	United Internet AG			Subsidiaries of United Internet AG			Total		
in €k	Fixed	Attendance fee	Total	Fix	Attendance fee	Total	Fix	Attendance fee	Total
Kurt Dobitsch	30	4	34	110	16	126	140	20	160
Kai-Uwe Ricke	15	4	19	115	16	131	130	20	150
Michael Scheeren	15	4	19	135	16	151	150	20	170
	60	12	72	360	48	408	420	60	480

2014	United Internet AG			1&1 Internet AG			Total		
in €k	Fixed	Variable	Total	Fixed	Variable	Total	Fixed	Variable	Total
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

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 2015. The fixed remuneration component is paid monthly as a salary. The size of the bonus depends on reaching certain, fixed financial targets agreed at the beginning of the fiscal year. These targets are based mainly on 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.

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:

2015	Fixed €k	Variable €k	Fringe benefits €k	Total fixed, variable and fringe benefits €k	Market value of share-based payments granted in 2015 €k *
Ralph Dommermuth	300	240	0	540	-
Robert Hoffmann	300	130	12	442	-
Frank Krause since June 1, 2015	210	82	106	398	1,213
Norbert Lang until June 30, 2015	150	95	24	269	-
Jan Oetjen	300	207	13	520	-
Martin Witt	300	201	12	513	-
	1,560	955	167	2,682	1,213

2014	Fixed €k	Variable €k	Fringe benefits €k	Total fixed, variable and fringe benefits €k	Market value of share-based payments granted in 2014 €k *
Ralph Dommermuth	300	247	0	547	-
Robert Hoffmann	300	200	11	511	-
Norbert Lang	300	196	20	516	-
Jan Oetjen	292	242	12	546	1.425
Martin Witt	275	175	12	462	1.425
	1,467	1,060	55	2,582	2,850

*Share-based payments (so-called Stock Appreciation Rights) are compensation components with a long-term incentive and paid out over a total period of 6 years.

Total Management Board remuneration as defined by Section 314 (1) No. 6 HGB, i.e. including the market value of share-based payments, amounted to € 3,895k in the fiscal year (prior year: € 5,432k). Members of the Management Board were not granted any advances or loans in the reporting period nor in the previous year.

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

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

In the fiscal year 2015, Mr. Martin Witt exercised 50,000, Mr. Robert Hoffmann 325,000, and Mr. Jan Oetjen 100,000 subscription rights. 200,000 virtual stock options were granted to Mr. Frank Krause in the reporting period (for conditions see note 37)

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

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, 2015			December 31, 2015		
Management Board	**Direct**	**Indirect**	**Total**	**Direct**	**Indirect**	**Total**
Ralph Dommermuth	---	82,000,000	82,000,000	---	82,000,000	82,000,000
Robert Hoffmann	75,000	---	75,000	100,000	---	100,000
Frank Krause	---	---	---	920	---	920
Norbert Lang	256,405	197,428	453,833	---	---	---
Jan Oetjen	3,994	---	3,994	14,033	---	14,033
Martin Witt	---	---	---	3,139	---	3,139
	335,399	**82,197,428**	**82,532,827**	**118,092**	**82,000,000**	**82,118,092**
Supervisory Board	**Direct**	**Indirect**	**Total**	**Direct**	**Indirect**	**Total**
Kurt Dob tsch	---	---	---	---	---	---
Kai-Uwe Ricke	---	---	---	---	---	---
Michael Scheeren	300,000	---	300,000	300,000	---	300,000
	300,000	**---**	**300,000**	**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 2015 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.

A convertible loan of € 600k was provided to ProfitBricks GmbH in April 2014. The loan was converted to equity in fiscal year 2015. At the at the end of the reporting period, there is therefore one loan agreement (prior year: two) with a total volume of € 7.1 million (prior year: € 7.7 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 € 8,214k (prior year: € 8,543k).

In addition, dividend income of DomainsBot S.r.l., Rome/Italy amounting to € 100k (prior year: € 84k) was 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	
2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
€k	**€k**	**€k**	**€k**	**€k**	**€k**	**€k**	**€k**
9,066	6,270	25	278	373	1,030	8,214	8,679

Receivables from other related parties mainly result from loans to ProfitBricks GmbH. Interest income of € 285k (prior year: € 347k) accrued in this connection.

Financial income		Financial expenses	
2015	2014	2015	2014
€k	€k	€k	€k
385	431	0	0

41. 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, 2015 and 2014:

	Dec. 31, 2015	2016	2017	2018	2019	> 2020	Total
	€k	€k	€k	€k	€k	€k	€k
Liabilities to banks	1,536,502	46,622	431,372	215,064	412,874	510,824	1,616,756
Trade accounts payable	399,904	394,571	713	662	1,752	2,206	399,904
Other financial liabilities	200,966	116,960	16,696	15,337	13,005	49,568	211,566

	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

For the calculation of cash flows from liabilities to banks, management assumed that the portion of the revolving syndicated loan facility currently used amounting to € 163,441k would remain unchanged until the end of its term (July 9, 2020).

Please refer to note 30 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.

<u>Stock exchange risk (valuation risk)</u>

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 financial assets amounted to € 428,150k as of the balance sheet date (prior year: € 668,630k).

The Company also holds shares in listed associated companies. The fair value of these shares amounted to € 430,488k (prior year: € 0k)

The share price development of listed investments may lead to impairments.

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 18).

Internal rating system

A pre-contractual fraud check is generally 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.

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 certain Group companies, 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, 2015 and December 31, 2014, no changes were made to the Company's targets, methods and processes.

42. 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 33).

Guarantees

As of the balance sheet date, the Company has issued no guarantees.

43. 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.

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:

	2015	2014
	€k	€k
Up to 1 year	70,386	67,891
2 to 5 years	85,908	87,164
Over 5 years	29,084	30,317
Total*	**185,378**	**185,372**

* Figures are based on minimum contractual terms.

In the period under review, these operating leases incurred expenses of € 182,865k (prior year: € 60,638k). The year-on-year increase in expenses results mainly from the acquisition of the Versatel Group in fiscal year 2014 that was consolidated over 12 months for the first time in fiscal year 2015 (prior year: 3 months).

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:

	2015		2014	
	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	19,504	19,315	18,577	18,381
2 to 5 years	54,968	51,915	57,789	54,724
Over 5 years	39,611	32,334	40,461	33,008
Total	114,083	103,564	116,827	106,113
Less interest share	-10,519	---	-10,714	---
Present value of minimum lease payments	**103,564**	**103,564**	**106,113**	**106,113**

Group as lessor

Finance leases

The Group has finance leases on the level of the Versatel Group acquired in the previous 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, 2015	Dec. 31, 2014
	€k	€k
Gross investment (thereof unguaranteed residual values)		
thereof due within 1 year	3,635	2,584
thereof due in 1-5 years	14,420	10,173
thereof due after more than 5 years	27,528	15,832
Unearned finance income	-5,916	-7,687
Net investment	39,667	20,902
Accumulated impairment	0	0
Receivables from sales taxes	2,334	993
Carrying amount of finance lease receivables	42,001	21,895
previously present value of unguaranteed residual values	0	0
Present value of outstanding minimum lease payments	39,667	20,902
thereof due within 1 year	3,635	2,584
thereof due in 1-5 years	13,542	8,538
thereof due after more than 5 years	22,490	9,780

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.

44. Statement of cash flows

In fiscal year 2015, cash flow from operating activities includes interest paid of € 24,595k (prior year: € 24,275k) and interest received of € 1,482k (prior year: € 454k). Income tax payments in fiscal year 2015 amounted to € 209,928k (prior year: € 405,248k) while income tax proceeds totaled € 352,793k (prior year: € 1,744k). Income tax proceeds in the reporting period include an amount of € 326,013k (prior year: € 0k) for the allowable capital tax including solidarity surcharge (€ 335,694k) paid in December 2014 in connection with a dividend distributed within the Group.

A total of € 417,821k (prior year: € 23,065k) was paid in cash for the purchase of shares in associated companies, € 154,483k (prior year: € 942,233k) for the purchase of subsidiaries, and € 93,885k (prior year: € 334,719k) for investments in other financial assets in fiscal year 2015.

Payments received in connection with dividends amounted to € 9,562k and refer mainly to a dividend paid by Drillisch AG.

Additions to intangible assets and property, plant and equipment of € 9,104k (prior year: € 5,722k) were in connection with finance leases without direct cash outflows.

45. 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 SE, Montabaur
- 1&1 Internet Service 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 Service GmbH, Montabaur
- 1&1 Telecom GmbH, Montabaur
- 1&1 Telecom Holding 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 SE, Montabaur
- 1&1 Mail & Media Applications SE, Montabaur
- A1 Marketing, Kommunikation und neue Medien GmbH, Montabaur
- affilinet GmbH, Munich
- United Internet Corporate Services GmbH, Montabaur
- United Internet Media GmbH, Montabaur
- United Internet Service SE, Montabaur
- United Internet Ventures AG, Montabaur
- United Internet Service Holding GmbH, Montabaur
- Versatel GmbH, Berlin
- Versatel Deutschland GmbH, Düsseldorf
- Versatel Holding GmbH, Berlin
- Versatel Telecommunications GmbH, Düsseldorf
- TROPOLYS Service GmbH, Düsseldorf

46. Subsequent events

The share price of Rocket Internet SE continued to be highly volatile after the balance sheet date. At the time of preparing the consolidated financial statements, the share price stood at € 24.75 (closing price on March 11, 2016). Should the share price not improve by the end of the first quarter, the Group's current accounting and measurement principles require the recognition of an impairment charge, which is likely to be in the first quarter of 2016. Valued at the prevailing share price on the date of preparing the consolidated financial statements, the potential impairment charge would amount to approx. € 155 million.

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

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

47. Auditing fees

In fiscal year 2015, auditing fees totaling € 5,315k (prior year: € 3,852k) were expensed in the consolidated financial statements. These include auditing fees of € 1,890k (prior year: € 1,095k), tax consultancy services of € 1,533k (prior year: € 1,453k), and other services of € 1,892k (prior year: € 1,303k).

48. List of shareholdings of the United Internet AG Group acc. to Sec. 313 (2) HGB

As of December 31, 2015, 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 SE, Montabaur (100.0%)
  - 1&1 Datacenter SAS, Strasbourg / France (100.0%)
  - 1&1 Internet Development SRL, Bucharest / Romania (100.0%)
  - 1&1 Internet España S.L.U., Madrid / Spain (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., Gloucester (formerly Slough) / UK (100.0%)
  - 1&1 Internet S.A.R.L., Saargemünd / France (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 UK Holdings Ltd., Gloucester / UK (100.0%)
    - Fasthosts Internet Ltd., Gloucester (formerly Slough) / UK (100.0%)
      - Dollamore Ltd., Gloucester / UK (100.0%)
      - Fasthosts Internet Inc., Chesterbrook / USA in liquidation (100.0%)
  - Arsys Internet S.L., Logroño / Spain (100.0%)
    - Arsys Internet E.U.R.L., Perpignan / France (100.0%)
    - Tesys Internet S.L., Logroño / Spain (100.0%)
    - Nicline Internet S.L., Logroño / Spain (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 (100.0%)
    - myLLC GmbH, Regensburg (100.0%)
    - myLLP GmbH, Regensburg (100.0%)
    - InterNetX Corp., Miami / USA (100.0%)
  - Sedo Holding GmbH, Montabaur (100.0%)
    - Sedo GmbH, Cologne(100.0%)
      - DomCollect Worldwide Intellectual Property AG in liquidation, Zug / Switzerland (100.0%)
      - DomCollect International GmbH, Montabaur (100.0%)
      - Sedo.com LLC, Cambridge (formerly Boston) / USA (100.0%)
  - united-domains AG, Starnberg (100.0%)
    - united-domains Reselling GmbH, Starnberg (100.0%)
    - United Domains, Inc., Cambridge / USA (100.0%)
  - Immobilienverwaltung AB GmbH, Montabaur (100.0%)

        - Immobilienverwaltung NMH GmbH, Montabaur (100.0%)
        - home.pl S.A. , Stettin / Poland (100.0%)
            - AZ.pl Sp. Z o.o, Stettin / Poland (100.0%)
            - HBS Cloud Sp. Z o.o, Stettin / Poland (100.0%)
            - premium.pl Sp. Z o.o, Stettin / Poland (75.0%)
                - DP EUROPE Sp. Z o.o, Stettin / Poland (100.0%)
                - DP AFRICA Sp. Z o.o, Stettin / Poland (100.0%)
                - DP AMERICAS Sp. Z o.o, Stettin / Poland (100.0%)
                - DP AUSTRALIA Sp. Z o.o, Stettin / Poland (100.0%)
                - DP POLAND Sp. Z o.o, Stettin / Poland (100.0%)
                - DP ASIA Sp. Z o.o, Stettin / Poland (100.0%)

- 1&1 Mail & Media Applications SE, Montabaur (100.0%)
    - 1&1 Mail & Media GmbH, Montabaur (100.0%)
        - 1&1 De-Mail GmbH, Montabaur (100.0%)
        - 1&1 Mail & Media Inc., Chesterbrook / USA (100.0%)
        - General Media Xervices GMX S.L., Madrid / Spain (100.0%)
        - GMX Italia S.r.l., Milan / Italy (100.0%)
    - 1&1 Mail & Media Development & Technology GmbH, Montabaur (100.0%)
    - 1&1 Mail & Media Service GmbH, Montabaur (100.0%)
    - United Internet Media GmbH, Montabaur (100.0%)
    - UIM United Internet Media Austria GmbH, Vienna / Austria (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%)

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.

<u>1&1 Telecom</u>:

- 1&1 Telecommunication SE, Montabaur (100.0%)
    - 1&1 Berlin Telecom Service GmbH, Berlin (100.0%)
    - 1&1 Logistik GmbH, 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 Sales GmbH, Montabaur (100.0%)
    - 1&1 Telecom Service Montabaur GmbH, Montabaur (100.0%)
    - 1&1 Telecom Service Zweibrücken GmbH, Zweibrücken (100.0%)
    - Versatel Telecommunications GmbH, Düsseldorf (100.0%)
        - Versatel GmbH, Berlin (100.0%)
            - Versatel Holding GmbH, Berlin (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 Süd GmbH & Co. KG, Düsseldorf (100.0%)

<u>United Internet investments</u>:

- United Internet Ventures AG, Montabaur (100.0%)

<u>Other</u>:

- MIP Multimedia Internet Park GmbH, Zweibrücken (100.0%)
- United Internet Corporate Services GmbH, Montabaur (100.0%)
    - A1 Marketing Kommunikation und neue Medien GmbH, Montabaur (100.0%)
- 1&1 Telecom Service Holding Montabaur GmbH, Montabaur (100.0%)
- United Internet Service SE, Montabaur (100.0%)
- United Internet Service Holding GmbH Montabaur (100.0%)

<u>Associated companies</u>

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:

- Intellectual Property Management Company Inc., Dover / USA (49.00%)
- DomainsBot S.r.l, Rome / Italy (49.00%)
- uberall GmbH, Berlin (30.36%)
- ProfitBricks GmbH, Berlin (28.57%)
- Open-Xchange AG, Nuremberg (29.02%, voting rights 22.4%)
- virtual minds AG, Freiburg (25.10%)
- VictorianFibre Holding & Co. S.C.A. in liquidation, Luxembourg / Luxembourg (25.10%, voting rights 24.9%)
- ePages GmbH, Hamburg (25.1%)
- Drillisch AG, Maintal (20.11%)

<u>Other investments</u>

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:

- MMC Investments Holding Company Ltd., Port Louis / Mauritius (11.36%)
- Hi-Media S.A., Paris / France (10.46%)
- Hi-Pay S.A.S., Paris / France (8.37%)
- Afilias Ltd., Dublin / Ireland (9.82%)
- Rocket Internet SE, Berlin (8.31%)

<u>Changes in the reporting unit</u>

The following companies were founded by the Company in fiscal year 2015:

- United Internet Service Holding GmbH, Montabaur (100.0%)

The following companies were acquired and renamed in fiscal year 2015:

- 1&1 Internet SE, Montabaur (100.0%)
  (formerly Atrium 74. Europäische VV SE, Berlin)

The following companies were renamed in fiscal year 2015:

- 1&1 Telecommunication SE, Montabaur (100.0%)
  (formerly 1&1 Telecommunication Holding SE, Montabaur)
- 1&1 Mail & Media Applications SE, Montabaur (100.0%)
  (formerly United Internet Mail & Media SE, Montabaur)

The following companies were merged with existing Group companies in the reporting period 2015:

- 1&1 Internet Service Holding GmbH, Montabaur (100.0%)
- 1&1 Internet AG, Montabaur (100.0%)
- 1&1 Mail & Media Holding GmbH, Montabaur (100.0%)
- 1&1 Telecommunication AG, Montabaur (100.0%)
- GMX & WEB.DE Mail & Media SE, Montabaur (100.0%)
- United Internet Dialog GmbH, Montabaur (100.0%)
- mySRL GmbH, Regensburg (100.0%)
- TLDDOT GmbH, Regensburg (100.0%)
- Versatel Hanse GmbH, Munich (100.0%)
- Versatel Service Nord GmbH & Co. KG, Düsseldorf (100.0%)
- Versatel Service BreisNet GmbH & Co. KG, Düsseldorf (100.0%)
- Versatel Service West GmbH & Co. KG, Düsseldorf (100.0%)
- Versatel Service Ost GmbH & Co. KG, Düsseldorf (100.0%)

49. 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 11, 2016

The Management Board

Ralph Dommermuth Robert Hoffmann Frank Krause Jan Oetjen Martin Witt

United Internet AG - Development of fixed assets acc. to IFRS for the fiscal year 2015 and 2014 (€k)

2015	Acquisition and production costs							Accumulated depreciation						Net book value	
	Jan. 1, 2015	Additions from initial consolidation	Additions	Disposals	Reclassifications	Currency translation	Dec. 31, 2015	Jan. 1, 2015	Additions	Disposals	Umbuchungen	Currency translation	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015
Intangible assets															
Licenses	29,593		6,190	8,594	748	127	28,064	28,204	6,109	7,124	-2	43	27,230	1,389	834
One-off charges	445		475	1			919	95	691	1			785	350	134
Software / Technology	114,568	1,891	7,333	4,511	-864	98	118,515	82,241	7,762	3,179	2	76	86,902	32,327	31,613
Trademark	118,770					2,901	121,671	933				51	984	117,837	120,687
Customer base	411,170			130,478		1,374	282,066	177,599	42,773	130,478		1,407	91,301	233,571	190,765
Goodwill	1,041,365	158,866	205	3,171		4,938	1,202,203	64,322				86	64,408	977,043	1,137,795
Total (I)	**1,715,911**	**160,757**	**14,203**	**146,755**	**-116**	**9,438**	**1,753,438**	**353,394**	**57,335**	**140,782**	**0**	**1,663**	**271,610**	**1,362,517**	**1,481,828**
Property, plant and equipment															
Land and buildings	16,264	133	674	218	289	2	17,144	6,343	923		439		7,705	9,921	9,439
Telecommunication equipment	398,230		72,991	1,233	4,062		474,050	18,871	74,012	385			92,498	379,359	381,552
Network infrastructure	181,729		4,021	1,689	71		184,132	7,541	29,366	647			36,260	174,188	147,872
Operational equipment	418,101	1,450	49,480	19,361	5,310	11,113	466,093	308,882	51,336	16,744	-439	8,539	351,574	109,219	114,519
Payments in advance	16,893		8,383	1,101	-9,616	25	14,584	278	2,493				2,771	16,615	11,813
Total (II)	**1,031,217**	**1,583**	**135,549**	**23,602**	**116**	**11,140**	**1,156,003**	**341,915**	**158,130**	**17,776**	**0**	**8,539**	**490,808**	**689,302**	**665,195**
Total	**2,747,128**	**162,340**	**149,752**	**170,357**	**0**	**20,578**	**2,909,441**	**695,309**	**215,465**	**158,558**	**0**	**10,202**	**762,418**	**2,051,819**	**2,147,023**

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	Disposals	Umbuchungen	Currency translation	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014
Intangible assets															
Licenses	29,985	0	53	638	0	193	29,593	28,415	32	440	0	197	28,204	1,570	1,389
One-off charges	0	389	56	0	0	0	445	0	95	0		0	95	0	350
Software / Technology	104,531	4,427	8,540	3,078	-18	166	114,568	71,506	13,348	2,736	0	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**	**3,176**	**0**	**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	0	398,230	0	18,871	0		0	18,871	0	379,359
Network infrastructure	0	181,296	848	415	0	0	181,729	0	7,541	0		0	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	16,712	0	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**	**16,712**	**0**	**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**	**19,888**	**0**	**9,963**	**695,309**	**734,065**	**2,051,819**

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, 2015. 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 15, 2016

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 11, 2016

Board of Management

Ralph Dommermuth Robert Hoffmann Frank Krause Jan Oetjen Martin Witt